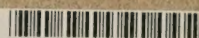


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ACCOUNTS AND PAPERS:

THIRTY-FIVE VOLUMES.

— (10.) —

EAST INDIA.

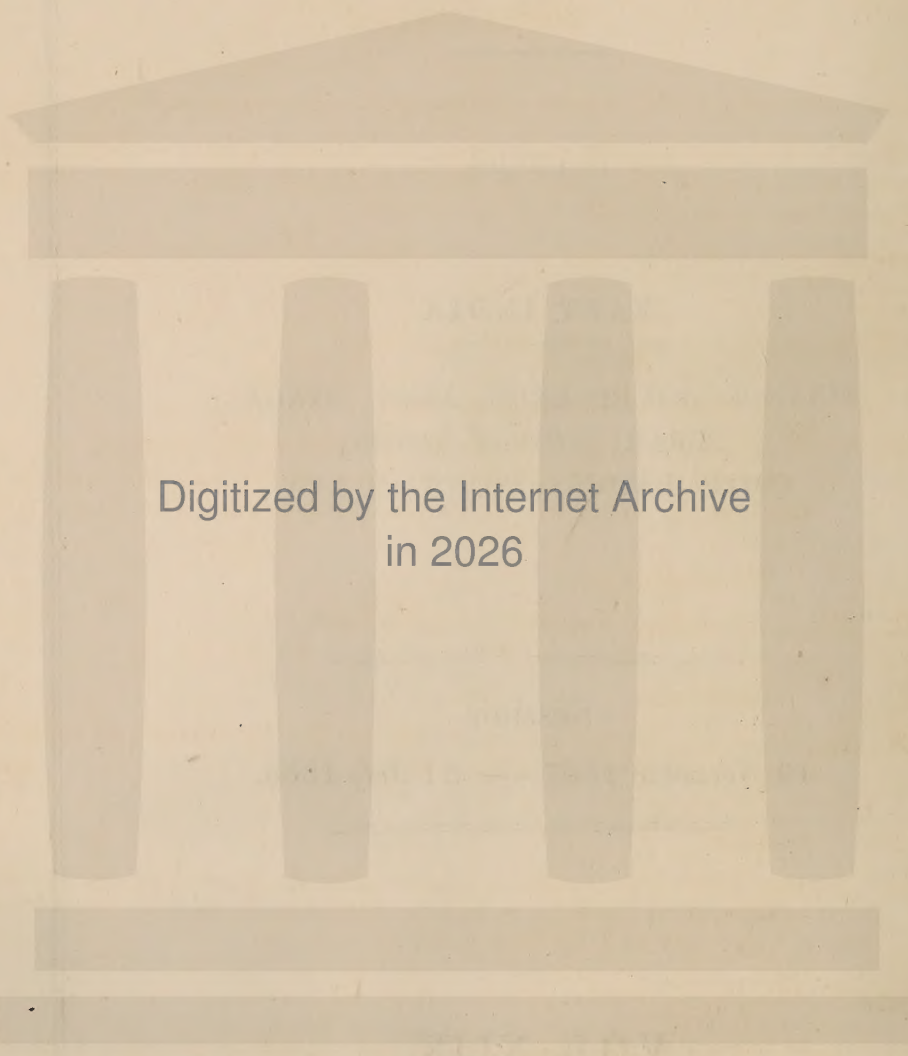
FINANCE AND REVENUE; ARMY; BENGAL;
BERAR; BOMBAY BANKS;
CHIEF JUSTICES; CONTRACT LAW.

Session

19 *November* 1867 — 31 *July* 1868.

VOL. XLIX.

1867-8.



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ACCOUNTS AND PAPERS:

1867-8.

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FOR 1867/68;

WITH A COMPARISON OF THE TWO YEARS.

(Presented to Parliament pursuant to the Act 21 & 22 Vict. c. 106.)

Ordered, by The House of Commons, to be Printed,
14 May 1868.

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NO. I.—AN ACCOUNT of the GROSS REVENUES of INDIA for the Year 1866-67 (viz., from 1st those REVENUES ; the NET RECEIPTS into the several Government Treasuries, and the Rates per of Two Shillings the Rupee.

REVENUES AND RECEIPTS.	1. GROSS RECEIPTS.	2. Repayments. — Allowances, Refunds, and Drawbacks.	3. NET RECEIPTS within the Year, after deducting Repayments.	CHARGES IN INDIA	
				4. Charges of Collection. (See Account, No. 13.)	5. Allowances and Assignments under Treaties and Engagements. (See Account, No. 24.)
LAND REVENUE, &c. :	£.	£.	£.	£.	£.
Land Revenue - - - - -	19,186,449	107,278	19,029,171	1,832,022	- - -
Tributes and Contributions from Native States - - - - - }	629,245	- - -	629,245	—	—
TOTAL Land Revenue, &c. - - £.	19,765,694	107,278	19,658,416	1,832,022	1,712,003
Forest - - - - -	311,340	4,923	306,417	208,633	- - -
Abkaree (Excise) - - - - -	2,119,789	4,674	2,115,115	234,225	- - -
	22,196,823		22,079,948		
Income Tax - - - - -	22,127	3,805	18,322	1,188	- - -
Customs - - - - -	2,030,864	78,863	1,952,001	188,810	- - -
Salt - - - - -	5,345,910	25,476	5,320,434	317,519	- - -
Opium - - - - -	6,803,413	5	6,803,408	1,077,330	- - -
Stamps - - - - -	1,803,773	40,125	1,763,648	80,226	- - -
Mint - - - - -	239,991	- - -	239,991	131,146	- - -
Post Office - - - - -	496,439	35,808	460,631	415,129	- - -
Telegraph - - - - -	197,355	} - - -	219,472	286,086	- - -
Ditto - - - - - In England	22,117				
Law and Justice - - - - -	627,050	14,748	612,302	- - -	- - -
Police - - - - -	188,169	296	187,873	- - -	- - -
Marine - - - - -	228,543	3,998	224,545	- - -	- - -
Education - - - - -	66,658	- - -	66,658	- - -	- - -
Interest - - - - -	233,513	- - -	233,513	- - -	- - -
Miscellaneous - - - - -	276,310	} 98,197	245,984	- - -	- - -
Ditto - - - - - In England	67,871				
Army—Miscellaneous - - - - -	717,489	} 3	737,365	- - -	- - -
Ditto - - - - - In England	19,879				
Public Works—Miscellaneous - - -	538,139	3,631	534,508	- - -	- - -
GRAND TOTAL - - - £.	42,122,433	421,830	41,700,603	4,772,314	1,712,003

May 1866 to 31st March 1867); with the CHARGES of COLLECTION and other PAYMENTS out of Cent. for which the Gross Receipts were collected, converted into Sterling Money, at the Rate

AGAINST INCOME.		CHARGES IN ENGLAND AGAINST INCOME.		10.	11.	12.
6.	7.	8.	9.	TOTAL CHARGES against INCOME.	NET RECEIPTS.	Rate per Cent. for which the Gross Receipt was Collected in India.
Allowances to District and Village Officers, &c. (See Account, No. 14.)	TOTAL CHARGES in INDIA against INCOME.	Stores.	Other Charges.			
£.	£.	£.	£.	£.	£.	£.
- -	- -	- -	- -	- -	- -	9.573
- -	- -	- -	- -	- -	- -	- -
339,619	3,883,644	- -	33,167	3,916,811	15,741,605	9.268
- -	208,633	- -	- -	208,633	97,784	67.011
- -	234,225	- -	- -	234,225	1,880,890	Including Cost of Abkaree Opium. 11.049 Excluding Cost of Abkaree Opium. 3.913
- -	1,188	- -	- -	4,359,669 1,188	17,720,279 17,134	5.369
- -	188,810	- -	- -	188,810	1,763,191	9.297
- -	317,519	- -	- -	317,519	5,002,915	Including Cost of Salt and Opium. 5.939 Excluding Cost of Salt and Opium. 3.969
- -	1,077,330	- -	- -	1,077,330	5,726,078	15.835 1.503
- -	80,226	17,893	- -	98,119	1,665,529	5.439
- -	131,146	106,006	- -	237,152	2,839	98.817
- -	415,129	5,139	46,374	466,642	{ Excess charge 6,011 }	84.656
- -	286,086	154,977	28,205	469,268	{ Excess charge 249,796 }	223.487
- -	- -	- -	- -	- -	612,302	
- -	- -	- -	- -	- -	187,873	
- -	- -	- -	- -	- -	224,545	
- -	- -	- -	- -	- -	66,658	
- -	- -	- -	- -	- -	233,513	
- -	- -	- -	- -	- -	245,984	
- -	- -	- -	- -	- -	737,365	
- -	- -	- -	- -	- -	534,508	
339,619	6,823,936	284,015	107,746	7,215,697	34,484,906	

No. II.—AN ACCOUNT of the TOTAL INCOME of the Revenues of INDIA in the Year ending the 31st March 1867, together with an Account of the PUBLIC EXPENDITURE, including REPAYMENTS, ALLOWANCES, and DRAWBACKS, and ALLOWANCES and ASSIGNMENTS under Treaties and Engagements, and other PAYMENTS made out of the REVENUES, but exclusive of the Sums applied to the Reduction of Debt.

HEADS OF REVENUE AND RECEIPTS.	GROSS RECEIPTS, as stated in Column I, of the Account of Income No. I.	Number of Account.	EXPENDITURE.	IN INDIA.	IN ENGLAND.		TOTAL.
					Stores.	Other Charges.	
	£.	I.	Repayments, Allowances, Refunds, and Drawbacks -	£.	£.	£.	£.
	22,106,823		PAYMENTS in Realization of the REVENUE:	421,880	-	-	421,880
Land Revenue, including Tributes and Contributions from Native States, Forest and Abkaree Revenues, &c.			Land Revenue, &c. -	2,274,880	-	-	2,274,880
Income Tax -	2,080,864		Income Tax -	1,188	-	-	1,188
Customs -	5,345,910		Customs -	188,810	-	-	188,810
Salt -	6,803,413		Salt -	317,519	-	-	317,519
Opium -	1,803,773		Opium -	1,077,330	-	-	1,077,330
Stamps -	239,991		Stamps -	80,226	17,898	-	98,119
Mint -	496,439		Mint -	131,146	106,006	-	237,152
Post Office -	219,472		Post Office -	415,129	5,139	46,374	466,642
Telegraph (includes England, 22,117 L.) -	627,050		Telegraph -	286,086	154,977	28,305	469,268
Law and Justice -	188,169		Allowances and Assignments under Treaties and Engagements -	1,712,003	-	33,167	1,745,170
Police -	228,543		Allowances to District and Village Officers, &c. -	339,619	-	-	339,619
Marine -	66,658						
Education -	233,513						
Interest -	344,181						
Miscellaneous (includes England, 67,871 L.) -	737,368		TOTAL of the direct Claims and Demands upon the Revenues, including Charges of Collection, and Cost of Salt and Opium -	7,245,766	284,015	107,746	7,637,527
Army—Miscellaneous (includes England, 19,879 L.) -	538,139	III.	Charges, including Interest on Debt, and Public Works Ordinary -	29,848,640	873,363	5,549,345	36,271,348
Public Works—Miscellaneous -	42,122,433	29	Guaranteed Interest on the Capital of Railway and other Companies, in India and in England, deducting Net Traffic Receipts -	-	-	731,049	731,049
EXCESS of EXPENDITURE over INCOME -	2,517,491			-	-	-	-
£.	44,639,924		£.	37,094,406	1,157,378	6,388,140	44,639,924

No. III.—AN ACCOUNT of the NET PUBLIC INCOME of INDIA, in the Year ending 31st March 1867 (after abating the EXPENDITURE defrayed thereout by the several REVENUE DEPARTMENTS, and the ALLOWANCES and ASSIGNMENTS under Treaties and Engagements, and other PAYMENTS made out of those REVENUES), and the actual Issues or Payments within the same Period, exclusive of the Sums applied to the Reduction of Debt.

REVENUES AND RECEIPTS.		No. of Accounts.	CHARGES.		IN INDIA.	IN ENGLAND.		TOTAL.
	£.					Stores.	Other Charges.	
Land Revenue, including Tributes and Contributions from Native States, Forest and Abkaree Revenues, &c.	17,720,279	15	Administration and Public Departments	-	1,089,064	-	182,220	1,271,284
Income Tax	17,134	16	Law and Justice	-	2,397,788	-	-	2,397,788
Customs	1,763,191	17	Police	-	2,262,921	-	-	2,262,921
Salt	5,002,915	18	Marine	-	585,945	138,572	56,113	770,630
Opium	5,726,078	19	Education, Science, and Art	-	674,717	-	-	674,717
Stamps	1,665,529	20	Ecclesiastical	-	144,360	-	-	144,360
Mint	2,839	21	Medical Services	-	261,801	-	-	261,801
Post Office	6,011	22	Stationery and Printing	-	180,296	117,178	4,290	301,764
Telegraph	249,796	23	Political Agencies and other Foreign Services	-	238,289	-	28,809	267,098
Law and Justice	612,302	25	Miscellaneous	-	779,032	5,213	177,272	961,517
Police	187,873	26	Superannuation, Retired, and Compassionate Allowances	-	545,032	-	221,440	766,472
Marine	224,545	26 ^a	Civil Furlough and Absentee Allowances	-	-	-	79,305	79,305
Education	66,658	27	Army	-	12,440,383	556,062	2,829,346	15,825,791
Interest	233,513	28	Public Works, including 259,474 L. Supervision and Cost of Land for Railways, and 111,681 L. Loss by Exchange on Railway Transactions	-	5,329,464	66,338	797	5,396,599
Miscellaneous	245,984	30 and 31	Interest on Debt	-	2,919,548	-	33,490	4,259,331
Army—Miscellaneous	737,365		Dividends to Proprietors of East India Stock	-	-	-	1,306,293	629,970
Public Works—Miscellaneous	534,508		Guaranteed Interest on Capital of Railway and other Companies, deducting Net Traffic Receipts	-	-	-	629,970	36,271,348
TOTAL REVENUES AND RECEIPTS	34,484,903	31					5,549,845	731,049
Excess of Expenditure over Income	2,517,491	39						
	37,002,397				£.	873,363	6,280,394	37,002,397

No. IV.—ABSTRACT ACCOUNT of the Aggregate of BALANCES of CASH in the TREASURIES of INDIA, on the 30th April 1866; the Amount of DEBT incurred and discharged during the Year 1866-67; the Amount of ADVANCES and REPAYMENTS on various Accounts; the SUPPLIES to and from LONDON; the BALANCE of SUPPLIES between the several Presidencies and Provinces on Unadjusted Accounts; and the TOTAL BALANCE in the Indian Treasuries on the 31st March 1867.

No. of Account.	£.	No. of Account.	DEBT DISCHARGED:	£.	£.
11	Aggregate of Balances in the Treasuries of India on the 30th April 1866 - - - - -	11	Loans - - - - -	328,085	
			Treasury Notes - - - - -	116,580	
			Treasury Bills - - - - -	130	
			Local Funds - - - - -	632,793	
			Bills outstanding - - - - -	88,180	
			Miscellaneous - - - - -	182,231	
			Deposit - - - - -	35,840	
			Advances, less Repayments - - - - -	449,789	
			Investment of Sale Proceeds of Waste Lands - - - - -	53,876	
			Prize Money discharged - - - - -	15,361	1,902,865
			Supplies to London:		
			Remittances and Bills drawn by the Secretary of State discharged, Advances to Railway and other Companies, and Miscellaneous Payments on account of London - - - - -	11,168,996	
			Less,—Bills drawn on England, Payments in England for Interest on India Loan Property, Receipts in Repayment of Advances made in England to Service Funds, Net Traffic Receipts of Railways, &c. - - - - -	3,792,666	7,376,330
			Balance of Supplies between the different Presidencies and Provinces on unadjusted Accounts - - - - -	194,117	
			Balance of Cash in the Treasuries of India on the 31st March 1867 - - - - -	11,057,054	
				£.	20,530,366

A P P E N D I X.

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1866-67.

I.—District Revenues and Charges	-	-	-	-	-	-	pp. 12 to 22.
II.—Sundry Abstract Accounts	-	-	-	-	-	-	pp. 23 to 65.

No. 1.—AN ACCOUNT of the GROSS REVENUES of the TREASURIES and DEPARTMENTS under the immediate Control of the Government of India, for the Year 1866-67; with the CHARGES of COLLECTION and other PAYMENTS out of those REVENUES, the NET RECEIPTS into the several Government Treasuries, and the Rates per Cent. for which the Gross Receipts were Collected.

REVENUES AND RECEIPTS.	1.	2.	3.	CHARGES AGAINST INCOME.			7.	8.
				4.	5.	6.		
	GROSS RECEIPTS.	Repayments, — Allowances, Refunds, and Drawbacks.	NET RECEIPTS within the Year, after deducting Repayments.	CHARGES of COLLECTION.	Allowances and Assignments under Treaties and Engagements.	TOTAL CHARGES against INCOME.	NET RECEIPTS into the several Government Treasuries.	Rate per Cent. for which the Gross Receipt was Collected.
	£.	£.	£.	£.	£.	£.	£.	
Land Revenue	16,899	-	16,899	9,089	-	-	-	53.784
Tributes and Contributions from Native States	64,396	-	64,396	—	-	-	-	-
Forest	81,295	-	81,295	9,089	159,920	169,009	{ Excess charge 87,714 }	11.180
Abkaree (Excise)	3,326	-	3,326	3,722	-	3,722	{ Excess charge 396 }	111.906
Income Tax	11,777	-	11,777	1,401	-	1,401	10,376	11.897
Stamps	2,116	35	2,081	-	-	-	2,081	-
Mint	3,714	493	3,221	195	-	195	3,026	5.250
Post Office	162,461	-	162,461	58,908	-	58,908	103,553	36.259
Telegraph	496,439	35,808	460,631	415,129	-	415,129	45,502	83.621
Law and Justice	197,355	-	197,355	286,086	-	286,086	{ Excess charge 88,751 }	144.960
Police	19,834	-	19,834	-	-	-	19,834	-
Education	2,687	-	2,687	-	-	-	2,687	-
Interest	5,122	-	5,122	-	-	-	5,122	-
Miscellaneous	196,329	-	196,329	-	-	-	196,329	-
Army—Miscellaneous	90,809	2,825	87,984	-	-	-	87,984	-
Public Works—Miscellaneous	450,160	-	450,160	-	-	-	450,160	-
	2,224	-	2,224	-	-	-	2,224	-
TOTAL GOVERNMENT OF INDIA	1,725,048	39,161	1,686,487	774,530	159,920	934,450	752,037	

No. 3.—AN ACCOUNT of the GROSS REVENUES of the CENTRAL PROVINCES for the Year 1866-67; with the CHARGES of COLLECTION and other PAYMENTS out of those REVENUES, the NET RECEIPTS into the several Government Treasuries, and the Rates per Cent. for which the Gross Receipts were Collected.

	1. GROSS RECEIPTS.	2. Repayments, — Allowances, Refunds, and Drawbacks.	3. NET RECEIPTS within the Year, after deducting Repayments.	CHARGES AGAINST INCOME.			7. NET RECEIPTS into the several Government Treasuries.	8. Rate per Cent. for which the Gross Receipt was Collected.
				4. CHARGES of COLLECTION.	5. Allowances and Assignments under Treaties and Engagements.	6. TOTAL CHARGES against INCOME.		
	£.	£.	£.	£.	£.	£.	£.	
Land Revenue - - - - -	666,336	9,249	657,087	121,359				
	666,336	9,249	657,087	121,359	88,358	209,717	447,370	18-213
Forest - - - - -	23,747	-	23,747	14,941	-	14,941	8,806	62-918
Abkaree (Excise) - - - - -	100,248	204	100,044	2,707	-	2,707	97,337	2-700
Income Tax - - - - -	288	42	246	-	-	-	246	
Customs - - - - -	4,086	3	4,083	-	-	-	4,083	
Salt - - - - -	155,702	-	155,702	41,488	-	41,488	114,214	26-646
Stamps - - - - -	58,402	1,066	57,336	2,125	-	2,125	55,211	3-639
Law and Justice - - - - -	15,898	741	15,157	-	-	-	15,157	
Police - - - - -	14,169	-	14,169	-	-	-	14,169	
Miscellaneous - - - - -	8,072	142	7,930	-	-	-	7,930	
Public Works—Miscellaneous - - - - -	5,309	87	5,222	-	-	-	5,222	
	1,052,257	11,534	1,040,723	182,620	88,358	270,978	769,745	
TOTAL CENTRAL PROVINCES - - - - -	£.							

No. 4.—AN ACCOUNT of the GROSS REVENUES of the PROVINCE of BRITISH BURMAH for the Year 1866-67; with the CHARGES of COLLECTION and other PAYMENTS out of those REVENUES, the NET RECEIPTS into the several Government Treasuries, and the Rates per Cent. for which the Gross Receipts were Collected.

	1.	2.	3.	CHARGES AGAINST INCOME.		6.	7.
				4.	5.		
	GROSS RECEIPTS.	Repayments, Allowances, Refunds, and Drawbacks.	NET RECEIPTS within the Year, after deducting Repayments.	CHARGES of COLLECTION.	TOTAL CHARGES against INCOME.	NET RECEIPTS into the several Government Treasuries.	Rate per Cent. for which the Gross Receipt was Collected.
	£.	£.	£.	£.	£.	£.	
Land Revenue -	549,824	566	549,258	83,314	83,314	465,944	15.152
Forest -	549,824	566	549,258	83,314	83,314	465,944	15.152
	42,477	66	42,411	28,633	28,633	13,778	67.408
Abkaree (Excise) -	85,929	454	85,475	8,985	8,985	76,490	10.456
Income Tax -	35	5	30	-	-	30	9.081
Customs -	119,954	3,703	116,251	10,894	10,894	105,357	5.614
Salt -	6,893	4	6,889	387	387	6,502	2.426
Stamps -	38,326	860	37,466	930	930	36,536	
Law and Justice -	59,159	1,062	58,097	-	-	58,097	
Police -	13,636	4	13,632	-	-	13,632	
Marine -	5,208	-	5,208	-	-	5,208	
Education -	421	-	421	-	-	421	
Interest -	421	-	421	-	-	421	
Miscellaneous -	4,651	82	4,569	-	-	4,569	
Public Works—Miscellaneous -	10,978	9	10,969	-	-	10,969	
TOTAL BRITISH BURMAH -	937,912	6,915	931,097	133,143	133,143	797,954	

No. 5.—AN ACCOUNT of the Gross REVENUES of the East and West BERAR DISTRICTS for the Year 1866-67; with the CHARGES of COLLECTION and other PAYMENTS out of those REVENUES, the NET RECEIPTS into the several Government Treasuries, and the Rates per Cent. for which the Gross Receipts were Collected.

	1.	2.	3.	CHARGES AGAINST INCOME.			7.	8.
				4.	5.	6.		
	GROSS RECEIPTS.	Repayments, ——— Allowances, Refunds, and Drawbacks,	NET RECEIPTS within the Year, after deducting Repayments.	CHARGES of COLLECTION.	Allowances and Assignments under Treaties and Engagements.	TOTAL CHARGES against INCOME.	NET RECEIPTS into the several Government Treasuries.	Rate per Cent. for which the Gross Receipt was Collected.
	£.	£.	£.	£.	£.	£.	£.	
Land Revenue	418,139	50,353	367,786	46,928	16,835	63,763	304,023	11·223
Forest	4,357	-	4,357	1,372	-	1,372	2,985	31·489
Abkaree (Excise)	116,105	39	116,066	-	-	-	116,066	
Salt	1,159	-	1,159	-	-	-	1,159	
Stamps	26,234	566	25,668	1,073	-	1,073	24,595	4·090
Law and Justice	4,285	121	4,164	-	-	-	4,164	
Police	3,769	-	3,769	-	-	-	3,769	
Education	499	-	499	-	-	-	499	
Interest	242	-	242	-	-	-	242	
Miscellaneous	4,071	39	4,032	-	-	-	4,032	
Public Works—Miscellaneous	2,940	332	2,588	-	-	-	2,588	
Total East and West BERAR DISTRICTS	581,800	51,470	530,330	49,373	16,835	66,208	464,122	

No. 6.—AN ACCOUNT of the GROSS REVENUES of the EASTERN SETTLEMENTS for the Year 1866-67; with the CHARGES of COLLECTION and other Payments out of those REVENUES, the NET RECEIPTS into the several Government Treasuries, and the Rates per Cent. for which the Gross Receipts were Collected.

REVENUES AND RECEIPTS.	1.	2.	CHARGES AGAINST INCOME.			6.	7.
			3.	4.	5.		
	GROSS RECEIPTS.	NET RECEIPTS within the Year. — Repayments, Nil.	CHARGES of COLLECTION.	Allowances and Assignments under Treaties and Engagements.	TOTAL CHARGES against INCOME.	NET RECEIPTS into the several Government Treasuries.	Rate per Cent. for which the Gross Receipt was Collected.
	£.	£.	£.	£.	£.	£.	
Land Revenue	7,978	7,978	3,374	5,028	8,402	Excess Charge 424	42-291
Forest	244	244	-	-	-	244	
Abkaree (Excise)	114,638	114,638	-	-	-	114,638	
Customs	258	258	775	-	775	Excess Charge 577	300-387
Stamps	21,855	21,855	2,703	-	2,703	19,152	12-367
Law and Justice	10,730	10,730	-	-	-	10,730	
Police	211	211	-	-	-	211	
Marine	5,446	5,446	-	-	-	5,446	
Education	43	43	-	-	-	43	
Miscellaneous	14,619	14,619	-	-	-	14,619	
Public Works—Miscellaneous	803	803	-	-	-	803	
TOTAL, EASTERN SETTLEMENTS	176,825	176,825	6,852	5,028	11,880	164,945	

No. 7.—AN ACCOUNT of the GROSS REVENUES of the GOVERNMENT of BENGAL, for the Year 1866-67, with the CHARGES of COLLECTION, and other PAYMENTS out of those REVENUES; the NET RECEIPTS in the several Government Treasuries, and the Rates per Cent. for which the Gross Receipts were Collected.

	1.	2.	3.	CHARGES AGAINST INCOME.			7.	8.
				4.	5.	6.		
	GROSS RECEIPTS.	Repayments, Allowances, Refunds, and Drawbacks.	NET RECEIPTS within the Year, after deducting Repayments.	CHARGES of COLLECTION.	Allowances and Assignments under Treaties and Engagements.	TOTAL CHARGES against INCOME.	NET RECEIPTS into the several Government Treasuries.	Rate per Cent. for which the Gross Receipt was Collected.
	£.	£.	£.	£.	£.	£.	£.	
Land Revenue - - - - -	3,682,825	12,407	3,670,418	278,086				
Forest - - - - -	3,682,825	12,407	3,670,418	278,086	239,866	517,952	3,152,466	7·551
	4,559	-	4,559	10,522	-	10,522	Excess Charge 5,963	230·796
Alkaree (Excise) - - - - -	560,096	50	560,046	120,219	-	120,219	439,827	
Income Tax - - - - -	8,218	1,908	1,310	299	-	299	1,011	9·291
Customs - - - - -	867,059	10,320	856,739	53,955	-	53,955	802,784	6·223
Salt - - - - -	2,525,777	25,059	2,500,688	12,833	-	12,833	2,487,855	·508
Opium - - - - -	4,948,017	5	4,948,012	1,074,263	-	1,074,263	3,873,749	
Stamps - - - - -	562,547	13,658	548,889	23,167	-	23,167	525,722	2·005
Law and Justice - - - - -	167,756	6,609	161,147	-	-	-	161,147	
Police - - - - -	33,120	79	33,041	-	-	-	33,041	
Marine - - - - -	161,865	3,998	157,867	-	-	-	157,867	
Education - - - - -	33,299	-	33,299	-	-	-	33,299	
Interest - - - - -	1,493	-	1,493	-	-	-	1,493	
Miscellaneous - - - - -	23,688	82,803	Excess Charge 9,415	-	-	-	Excess Charge 9,415	
Public Works—Miscellaneous - - - - -	30,097	90	30,007	-	-	-	30,007	
	13,605,416	107,016	13,498,400	1,573,344	239,866	1,813,210	11,685,190	
TOTAL, BENGAL PRESIDENCY - - - - -	£.							

Including Cost of Abkaree Opium.

Excluding Cost of Abkaree Opium.

Including Cost of Opium, (See Account, No. 13.)

Excluding Cost of Opium.

No. 8.—AN ACCOUNT of the GROSS REVENUES of the NORTH WESTERN PROVINCES, for the Year 1866-67, with the CHARGES of COLLECTION and other Payments out of those REVENUES; the NET RECEIPTS into the several Government Treasuries, and the Rates per Cent. for which the Gross Receipts were Collected.

REVENUES AND RECEIPTS.	1. GROSS RECEIPTS.	2. Repayments, — Allowances, Refunds, and Drawbacks.	3. NET RECEIPTS within the Year, after deducting Repayments.	CHARGES AGAINST INCOME.				8. NET RECEIPTS into the several Government Treasuries.	9. Rate per Cent. for which the Gross Receipt was Collected.
				4. CHARGES of COLLECTION.	5. Allowances and Assignments under Treaties and Engagements.	6. Allowances to District and Village Officers, &c.	7. TOTAL CHARGES against INCOME.		
Land Revenue - - - - -	£. 3,817,741	£. 7,328	£. 3,810,413	£. 295,104	£. -	£. -	£. -	£. -	7·729
Tributes and Contributions from Native States - - - - -	146,218	-	146,218	—	-	-	-	-	-
Forest - - - - -	3,963,959	7,328	3,956,631	295,104	69,784	4,490	369,378	3,587,253	7·444
	57,795	3,935	53,860	31,128	-	-	31,128	22,732	53·859
Abkaree (Excise) - - - - -	190,397	2,704	187,693	34,628	-	-	34,628	153,065	18·187
Income Tax - - - - -	1,078	756	322	2	-	-	2	320	6·468
Customs - - - - -	47,797	-	47,797	-	-	-	-	47,797	·185
Salt - - - - -	478,266	7	478,259	56,839	-	-	56,839	421,420	11·884
Stamps - - - - -	244,274	3,454	240,820	13,225	-	-	13,225	227,595	5·414
Law and Justice - - - - -	88,493	2,140	86,353	-	-	-	-	86,353	-
Police - - - - -	41,931	19	41,912	-	-	-	-	41,912	-
Education - - - - -	5,298	-	5,298	-	-	-	-	5,298	-
Interest - - - - -	397	-	397	-	-	-	-	397	-
Miscellaneous - - - - -	26,895	55,976	Excess Charge 29,081	-	-	-	-	Excess Charge 29,081	-
Public Works—Miscellaneous - - -	212,564	713	211,851	-	-	-	-	211,851	-
TOTAL, NORTH WESTERN PROVINCES, £.	5,359,144	77,032	5,282,112	430,926	69,784	4,490	505,200	4,776,912	-

No. 9.—AN ACCOUNT of the GROSS REVENUES of the PUNJAB TERRITORIES, for the Year 1866-67, with the CHARGES of COLLECTION and other PAYMENTS out of those REVENUES; the NET RECEIPTS into the several Government Treasuries, and the Rates per Cent. for which the Gross Receipts were Collected.

	1.	2.	3.	CHARGES AGAINST INCOME.				8.	9.
				4.	5.	6.	7.		
	GROSS RECEIPTS.	Repayments. — Allowances, Refunds, and Drawbacks.	NET RECEIPTS within the Year, after deducting Repayments.	CHARGES of COLLECTION.	Allowances and Assignments under Treaties and Engagements.	Allowances to District and Village Officers, &c.	TOTAL CHARGES against INCOME.	NET RECEIPTS into the several Government Treasuries.	Rate per Cent. for which the Gross Receipt was Collected.
	£.	£.	£.	£.	£.	£.	£.	£.	
REVENUES AND RECEIPTS.									
Land Revenue	1,904,985	2,034	1,902,951	172,685	-	-	-	-	9.064
Tributes and Contributions from Native States	27,205	-	27,205	—	-	-	-	-	
	1,932,190	2,034	1,930,156	172,685	104,701	921	278,307	1,651,849	8.937
Forest	39,605	466	39,139	25,871	-	-	25,871	13,268	65.322
Abkaree (Excise)	77,885	155	77,730	6,651	-	-	6,651	71,079	8.539
Income Tax	285	6	279	-	-	-	-	279	
Customs	81,413	260	81,153	28,850	-	-	28,850	52,303	35.436
Salt	750,077	137	749,940	30,418	-	-	30,418	710,522	4.055
Opium	1,066	-	1,066	-	-	-	-	1,066	
Stamps	130,349	2,962	127,387	5,811	-	-	5,811	121,576	4.458
Law and Justice	57,550	2,140	55,410	-	-	-	-	55,410	
Police	32,208	-	32,208	-	-	-	-	32,208	
Marine	1,311	-	1,311	-	-	-	-	1,311	
Education	3,471	-	3,471	-	-	-	-	3,471	
Interest	462	-	462	-	-	-	-	462	
Miscellaneous	10,818	193	10,625	-	-	-	-	10,625	
Public Works—Miscellaneous	129,418	631	128,787	-	-	-	-	128,787	
	3,243,108	8,984	3,239,124	270,286	104,701	921	375,908	2,863,210	
TOTAL, PUNJAB TERRITORIES	£.								

No. 10.—AN ACCOUNT of the Gross REVENUES of the PRESIDENCY of MADRAS for the Year 1866-67; with the CHARGES of COLLECTION and other PAYMENTS out of those REVENUES; the NET RECEIPTS into the several Government Treasuries, and the Rates per Cent. for which the Gross Receipts were Collected.

	1.	2.	3.	CHARGES AGAINST INCOME.				8.	9.	
				4.	5.	6.	7.			
	GROSS RECEIPTS.	Repayments. — Allowances, Refunds, and Drawbacks.	NET RECEIPTS within the Year, after deducting Repayments.	CHARGES of COLLECTION.	Allowances and Assignments under Treaties and Engagements.	Allowances to District and Village Officers, &c.	TOTAL CHARGES against INCOME.	NET RECEIPTS into the several Government Treasuries.	Rate per Cent. for which the Gross Receipt was Collected.	
	£.	£.	£.	£.	£.	£.	£.	£.		
Land Revenue	3,652,026	14,353	3,637,673	370,333	-	-	-	-	10.140	
Tributes and Contributions from Native States	315,108	-	315,108	-	-	-	-	-		
	3,967,134	14,353	3,952,781	370,333	263,591	34,184	668,108	3,284,673	9.335	
Forest	32,078	36	32,042	21,743	-	-	21,743	11,199	65.931	
Abkaree (Excise)	427,452	4	427,448	19,567	-	-	19,567	407,881	4.577	
Income Tax	1,346	409	937	-	-	-	-	937		
Customs	193,539	7,097	186,442	15,007	-	-	15,067	171,375	7.785	
									Including Cost of Salt.	Excluding Cost of Salt.
Salt	1,047,573	139	1,047,434	144,319	-	-	144,319	903,115	13.776	3.721
Stamps	282,553	3,774	278,779	12,041	-	-	12,041	266,738	4.261	
Mint	15,948	-	15,948	15,317	-	-	15,317	631	96.043	
Law and Justice	66,476	1,569	64,907	-	-	-	-	64,907		
Police	18,829	194	18,635	-	-	-	-	13,635		
Marine	2,454	-	2,454	-	-	-	-	2,454		
Education	4,960	-	4,960	-	-	-	-	4,960		
Interest	9,734	-	9,734	-	-	-	-	9,734		
Miscellaneous	45,678	1,120	44,558	-	-	-	-	44,558		
Army—Miscellaneous	128,370	3	128,367	-	-	-	-	128,367		
Public Works—Miscellaneous	14,837	858	13,979	-	-	-	-	13,969		
	6,254,831	29,556	6,225,275	598,387	263,591	34,184	896,162	5,329,133		
TOTAL, MADRAS PRESIDENCY	£.									

No. 11.—AN ACCOUNT of the GROSS REVENUES of the PRESIDENCY OF BOMBAY (including SIND), for the Year 1866-67, with the CHARGES of COLLECTION and other PAYMENTS out of those REVENUES; the NET RECEIPTS into the several Government Treasuries, and the Rates per Cent. for which the Gross Receipts were Collected.

	1. GROSS RECEIPTS.	2. Repayments. — Allowances, Refunds, and Drawbacks.	3. NET RECEIPTS within the Year, after deducting Repayments.	CHARGES AGAINST INCOME.				8. NET RECEIPTS into the several Government Treasuries.	9. Rate per Cent. for which the Gross Receipt was Collected.
				4. CHARGES of COLLECTION.	5. Allowances and Assignments under Treaties and Engagements.	6. Allowances to District and Village Officers, &c.	7. TOTAL CHARGES against INCOME.		
	£.	£.	£.	£.	£.	£.	£.	£.	
Land Revenue - - - - -	3,381,802	10,568	3,371,234	334,518	-	-	-	-	9.891
Tributes and Contributions from Native States - - -	76,318	-	76,318	-	-	-	-	-	
Forest - - - - -	3,458,120	10,568	3,447,552	334,518	671,234	299,535	1,305,287	2,142,265	9.673
	82,127	420	81,707	64,744	-	-	64,744	16,963	78.834
Abkaree (Excise) - - - - -	365,543	1,051	364,492	33,298	-	-	33,298	331,194	9.109
Income Tax - - - - -	13,266	624	12,642	887	-	-	887	11,755	6.686
Customs - - - - -	716,758	57,480	659,278	79,269	-	-	79,269	580,009	11.059
Salt - - - - -	379,224	95	379,129	26,368	-	-	26,368	352,761	6.953
Opium - - - - -	1,854,330	-	1,854,330	3,067	-	-	3,067	1,851,263	.165
Stamps - - - - -	381,992	12,965	369,027	15,973	-	-	15,973	353,054	4.181
Mint - - - - -	61,582	-	61,582	56,921	-	-	56,921	4,661	92.431
Law and Justice - - - - -	127,332	-	127,332	-	-	-	-	127,332	
Police - - - - -	14,457	-	14,457	-	-	-	-	14,457	
Marine - - - - -	52,259	-	52,259	-	-	-	-	52,259	
Education - - - - -	12,999	-	12,999	-	-	-	-	12,999	
Interest - - - - -	24,435	-	24,435	-	-	-	-	24,435	
Miscellaneous - - - - -	45,089	4,982	40,057	-	-	-	-	40,057	
Army—Miscellaneous - - - - -	138,959	-	138,959	-	-	-	-	138,959	
Public Works—Miscellaneous - - - - -	128,227	867	127,360	-	-	-	-	127,360	
TOTAL, BOMBAY PRESIDENCY, } including SIND - - - - -	7,856,649	89,052	7,767,597	615,045	671,234	299,535	1,585,814	6,181,783	

No. 12.—GENERAL ABSTRACT ACCOUNT of the RECEIPTS under the Head of “Tributes and Contributions from Native States,” in the Year ended the 31st March 1867.

										£.	£.
GOVERNMENT OF INDIA—GENERAL AND POLITICAL.											
Tributes from the undermentioned States :											
Various Petty States	-	-	-	-	-	-	-	-	-	11,993	
Nizam's Government on account of Mahratta Choute	-	-	-	-	-	-	-	-	-	10,811	
Contributions :											
Bhopal	-	-	-	-	-	-	-	-	-	13,686	
Various Petty States	-	-	-	-	-	-	-	-	-	27,956	64,396
NORTH WESTERN PROVINCES :											
Jeypore	-	-	-	-	-	-	-	-	-	40,000	
Joudpore	-	-	-	-	-	-	-	-	-	21,300	
Odeypore	-	-	-	-	-	-	-	-	-	9,405	
Doongerpore	-	-	-	-	-	-	-	-	-	2,739	
Banswarra	-	-	-	-	-	-	-	-	-	2,739	
Kotah	-	-	-	-	-	-	-	-	-	42,472	
Boondee	-	-	-	-	-	-	-	-	-	4,000	
Jhalwar	-	-	-	-	-	-	-	-	-	8,000	
Various Petty States	-	-	-	-	-	-	-	-	-	10,588	
Contributions :											
Odeypore	-	-	-	-	-	-	-	-	-	4,975	146,218
PUNJAB :											
Tributes from the undermentioned States :											
Sokeith	-	-	-	-	-	-	-	-	-	1,100	
Mundee	-	-	-	-	-	-	-	-	-	9,560	
Kupoorthulla	-	-	-	-	-	-	-	-	-	13,100	
Chumba	-	-	-	-	-	-	-	-	-	1,001	
Various Petty States	-	-	-	-	-	-	-	-	-	2,444	27,205
MADRAS :											
Peishcush and Subsidy :											
Mysore Government	-	-	-	-	-	-	-	-	-	224,584	
Travancore - ditto	-	-	-	-	-	-	-	-	-	72,524	
Cochin - ditto	-	-	-	-	-	-	-	-	-	18,000	315,108
BOMBAY AND SIND :											
Tributes from the undermentioned States :											
Subsidy from the Cutch Government	-	-	-	-	-	-	-	-	-	14,021	
Kattywar Tribute	-	-	-	-	-	-	-	-	-	50,186	
Various Petty States	-	-	-	-	-	-	-	-	-	8,003	
Contributions :											
Jagheerdars, Southern Mahratta Country, &c.	-	-	-	-	-	-	-	-	-	4,108	76,318
TOTAL TRIBUTES and CONTRIBUTIONS FROM NATIVE STATES										£.	629,245

No. 13.—GENERAL ABSTRACT ACCOUNT of the CHARGES of COLLECTION on the PUBLIC INCOME of INDIA, for the Year ended the 31st March 1867.

4. CHARGES OF COLLECTION OF THE LAND REVENUE.		£.	£.
GOVERNMENT OF INDIA—GENERAL AND POLITICAL.			
Collectors of Revenue; Salaries, Establishment and Contingent Charges	- - -	7,505	
Revenue Survey	- - - - -	1,584	9,089
Oude :			
Deputy Commissioners; Salaries, Establishment and Contingent Charges	- - -	51,576	
Charges on Account of Khas Mehal Collections	- - - - -	28	
Revenue Survey and Settlement Charges	- - - - -	65,628	117,232
Central Provinces :			
Deputy Commissioners; Salaries, Establishment and Contingent Charges	- - -	56,365	
Revenue Survey and Settlement Charges	- - - - -	64,994	121,359
British Burmah :			
Deputy Commissioners; Salaries, Establishment and Contingent Charges	- - -	31,459	
Commission and Collection of Land Tax	- - - - -	51,348	
Land Settlement Charges	- - - - -	507	83,314
East and West Berar :			
Second Assistant Resident and Deputy Commissioners; Salaries, Establishment and Contingent Charges	- - - - -	35,627	
Revenue Survey; Salaries, Establishment and Contingent Charges	- - - - -	11,301	46,928
Eastern Settlements :			
Collectors of Revenue (Land Office) Establishment and Contingent Charges	- - -	1,481	
Revenue Survey	- - - - -	1,893	3,374
Bengal :			
Collectors of Revenue; Salaries, Establishment and Contingent Charges	- - -	207,774	
Charges on Account of Khas Mehals	- - - - -	10,657	
Revenue Survey and Settlement Charges	- - - - -	54,780	
Law Charges	- - - - -	4,875	278,086
North Western Provinces :			
Collectors of Revenue; Salaries, Establishment and Contingent Charges	- - -	247,116	
Charges on Account of Khas Mehals	- - - - -	307	
Revenue Survey and Settlement Charges	- - - - -	47,681	295,104
Punjab :			
Deputy Commissioners; Salaries, Establishment and Contingent Charges	- - -	147,910	
Revenue Survey and Settlement Charges	- - - - -	24,775	172,685
Madras :			
Collectors of Revenue; Salaries, Establishment and Contingent Charges	- - -	285,574	
Revenue Survey and Settlement Charges	- - - - -	78,505	
Enam Commission; Salaries, Establishment and Contingent Charges	- - - - -	6,254	370,333
Bombay and Sind :			
Collectors of Revenue; Salaries, Establishment and Contingent Charges	- - -	249,143	
Revenue Survey and Settlement Charges	- - - - -	85,375	334,518
TOTAL CHARGES of COLLECTION of the LAND REVENUE		£.	1,832,022
Carried forward		£.	1,832,022

No. 13.—General Abstract Account of Charges of Collection on Public Income of India, for Year ended
31 March 1867—*continued*.

		Brought forward - - -	£. 1,832,022
5. FOREST—CHARGES OF COLLECTION.			
GOVERNMENT OF INDIA—GENERAL AND POLITICAL:			
		£.	
Superintendents: Establishment and Contingent Charges	- - - - -	3,722	
Oude:			
Superintendents: Establishment and Contingent Charges	- - - - -	5,957	
Central Provinces:			
Superintendents: Establishment and Contingent Charges	- - - - -	14,941	
British Burmah:			
Superintendents: Establishments and Contingent Charges	- - - - -	28,633	
East and West Berar:			
Superintendents: Establishment and Contingent Charges	- - - - -	1,372	
Bengal:			
Superintendents: Establishment and Contingent Charges	- - - - -	10,522	
North-Western Provinces:			
Superintendents: Establishment and Contingent Charges	- - - - -	31,128	
Punjab:			
Superintendents: Establishment and Contingent Charges	- - - - -	25,871	
Madras:			
Superintendents: Establishment and Contingent Charges	- - - - -	21,743	
Bombay and Sind:			
Superintendents: Establishment and Contingent Charges	- - - - -	64,744	
TOTAL CHARGES OF COLLECTION of the FOREST REVENUE		- - - £.	208,633
6. ABKAREE—CHARGES OF COLLECTION.			
GOVERNMENT OF INDIA—GENERAL AND POLITICAL:			
Salaries, Establishment and Contingencies	- - - - -	1,401	
Oude:			
Salaries of Superintendents: Establishment and Contingencies, including Cost of Abkaree	}	6,769	
Opium			
Central Provinces:			
Salaries of Superintendents: Establishment and Contingencies	- - - - -	2,707	
British Burmah:			
Miscellaneous Charges, including Cost of Abkaree Opium	- - - - -	8,985	
Bengal:			
Establishment and Contingent Charges, including Cost of Abkaree Opium	- - -	120,219	
North-Western Provinces:			
Salaries of Superintendents: Establishment and Contingencies, including Cost of Abkaree	}	34,628	
Opium			
Punjab:			
Salaries of Superintendents: Establishment and Contingencies	- - - - -	6,651	
Madras:			
Establishment and Contingent Charges	- - - - -	19,567	
Bombay and Sind:			
Salaries of Superintendents: Establishment and Contingencies, including Cost of Abkaree	}	33,298	
Opium			
TOTAL CHARGES OF COLLECTION of the ABKAREE REVENUE		- - - £.	234,225
Carried forward		- - - £.	2,274,880

No. 13.—General Abstract Account of Charges of Collection on Public Income of India, for Year ended
31 March 1867—*continued.*

	£.	£.
Brought forward - - -	- - -	2,274,880
7. INCOME TAX—CHARGES OF COLLECTION :		
Bengal :		
Establishment and Contingent Charges - - - - -	299	
North-Western Provinces :		
Establishment and Contingent Charges - - - - -	2	
Bombay and Sind :		
Establishment and Contingent Charges - - - - -	887	
TOTAL CHARGES of COLLECTION of the INCOME TAX REVENUE - - - £.		1,183
8. CUSTOMS—CHARGES OF COLLECTION :		
British Burmah :		
Collectors of Customs : Salaries, Establishment and Contingent Charges - - - - -	£.	10,894
Eastern Settlements :		
Salaries, Establishment and Contingent Charges - - - - -		775
Bengal :		
Collector of Sea Customs at the Presidency : Salaries, Establishment and Contingent Charges - - - - -	52,054	
Salaries, Establishment and Contingent Charges in the Districts - - -	1,901	
		53,955
Punjab :		
Collectors of Customs : Salaries, Establishment and Contingent Charges - - - - -		28,850
Madras :		
Collector of Sea Customs at the Presidency : Salaries, Establishment and Contingent Charges - - - - -	8,003	
Salaries : Establishment and Contingent Charges in the Districts, including Land Customs Establishment - - - - -	7,064	
		15,067
Bombay and Sind :		
Commissioner and Deputy Commissioner of Customs at the Presidency : Salaries, Establishment and Contingent Charges - - - - -	47,125	
Salaries, Establishment and Contingent Charges in the Districts - - -	32,144	
		79,269
TOTAL CHARGES of Collection of the CUSTOMS REVENUES - - - £.		188,810
Carried forward - - - £.		2,464,878

No. 13.—General Abstract Account of Charges of Collection on Public Income of India, for Year ended
31 March 1867—*continued*.

	£.	£.
Brought forward - - -	-	2,464,878
9. SALT—CHARGES OF COLLECTION, including COST OF SALT:		
Oude :	£.	
Salary of Assistant Commissioner: Establishment and Contingent Charges - - -	4,867	
Central Provinces :		
Collectors: Salaries, Establishment and Contingent Charges - - -	41,488	
British Burmah :		
Commission on Collections - - -	387	
Bengal :		
Superintendent of Salt Golahs at Sulkea: Salary, Establishment and } Contingent Charges - - - - - }	8,334	
Salt Agents: Salaries, Establishment and Contingent Charges - - -	4,499	
		12,833
North-Western Provinces :		
Commissioner: Salaries, Establishment and Contingent Charges - - -	4,441	
Salaries of Deputy Commissioners and Collectors: Establishment and } Contingent Charges - - - - - }	38,411	
Saltpetre: Establishment and Contingent Charges - - -	13,987	
		56,839
Punjab :		
Salaries of Collectors: Establishment and Contingent Charges - - -	29,379	
Per-centage to Salt Mine Mallicks - - - - -	1,039	
		30,418
Madras :		
Salaries of Deputy Collectors: Establishment and Contingent Charges - - -	38,989	
Charges for the provision of Salt - - - - -	105,330	
		144,319
Bombay and Sind :		
Salaries, Establishment and Contingent Charges - - - - -	26,368	
TOTAL CHARGES of Collection of the SALT REVENUE, including Cost of SALT - - -	£.	317,519
Carried forward - - -	£.	2,782,397

No. 13.—General Abstract Account of Charges of Collection on Public Income of India, for Year ended
31 March 1867—*continued.*

	£.	£.
Brought forward - - -	-	2,782,397
10.—OPIUM—CHARGES of COLLECTION, including Cost of OPIUM :		
Bengal :	£.	
Agents for the provision of Opium: Salaries, Establishment and Contingencies of the Agents and Sub-deputy Agents, including Commission to the Sub-deputy Agents, and Amlahs, &c. :		
In Behar - - - - -	£. 42,529	
In Benares - - - - -	33,297	
	75,826	
Transit and Freight Charges - - - - -	20,144	
Salary of the Opium Examiners - - - - -	220	
Commission to Auctioneers for Sale of Opium - - - - -	1,981	
Godown Establishment and Miscellaneous Charges at Calcutta - - -	1,056	
Advances to Manufacturers :	£.	
In Behar - - - - -	501,296	
In Benares - - - - -	473,740	
	975,036	
Bombay and Sind :		1,074,263
Salary, Establishment and Contingent Charges of the Deputy and Assistant Agents - - - - -	-	3,067
TOTAL CHARGES of COLLECTION of the OPIUM REVENUE, including Cost of OPIUM - - - £.		1,077,330
11.—STAMPS—CHARGES of COLLECTION :		
GOVERNMENT OF INDIA—GENERAL AND POLITICAL :		
Establishment and Contingent Charges - - - - -	54	
Discount on Sale of Stamps - - - - -	141	
		195
Oude :		
Proportion of Salaries of the Superintendent and Deputy Superintendent, Establishment and Contingent Charges - - - - -	981	
Discount on Sale of Stamps - - - - -	2,002	
		2,983
Central Provinces :		
Discount on Sale of Stamps and Miscellaneous Charges - - - - -	-	2,125
British Burmah :		
Establishment and Contingent Charges - - - - -	89	
Discount on Sale of Stamps - - - - -	841	
		930
East and West Berar :		
Discount on Sale of Stamps and Miscellaneous Charges - - - - -	-	1,073
Eastern Settlements :		
Establishment and Contingent Charges - - - - -	-	2,703
Bengal :		
Salary of the Superintendent of Stamps, Establishment of the Stamp Office at the Presidency, and Contingent Charges - - - - -	8,753	
Collector of Calcutta Stamps: Establishment and Contingent Charges - - -	291	
Establishment, &c. under the Collectors in the Provinces - - - - -	660	
Discount on Sale of Stamps - - - - -	13,452	
		23,167
Carried forward - - - £.	33,176	3,850,727

No. 13.—General Abstract Account of Charges of Collection on Public Income of India, for Year ended
31 March 1867—*continued.*

		£.	£.
	Brought forward - - -	33,176	3,859,727
11.—STAMPS.—Charges of Collection— <i>continued.</i>	£.		
North-Western Provinces :			
Proportion of the Salary of the Commissioner, Establishment and Con- tingent Charges - - - - -	1,395		
Establishment and Contingent Charges under Collectors - - - - -	1,598		
Discount on Sale of Stamps - - - - -	10,232	13,225	
Punjab :			
Discount on Sale of Stamps - - - - -	5,049		
Miscellaneous Charges - - - - -	762	5,811	
Madras :			
Stamp Office at the Presidency: Salary, Establishment and Contingent Charges - - - - -	2,762		
Discount on Sale of Stamps - - - - -	9,279	12,041	
Bombay and Sind :			
Stamp Office at the Presidency: Salary, Establishment and Contingent Charges - - - - -	2,282		
Establishment and Contingent Charges under Collectors - - - - -	2,325		
Discount on Sale of Stamps - - - - -	11,366	15,973	
TOTAL CHARGES OF COLLECTION of the STAMP REVENUE - - - £.			30,226
12.—MINT:			
GOVERNMENT OF INDIA—GENERAL AND POLITICAL:			
Salaries, Establishment and Contingent Charges of the Mint Master, Assay Master, &c. - - - - -	46,486		
Loss on Coinage - - - - -	11,661		
Local Stores - - - - -	761	58,908	
Madras :			
Salaries, Establishment and Contingent Charges of the Mint Master, Assay Master, &c. - - - - -	-	15,317	
Bombay and Sind :			
Salaries, Establishment and Contingent Charges of the Mint Master, Assay Master, &c. - - - - -	45,770		
Local Stores - - - - -	11,151	56,921	
TOTAL MINT CHARGES - - - £.			131,146
Carried forward - - - £.			4,071,099

No. 13.—General Abstract Account of Charges of Collection on Public Income of India, for Year ended
31 March 1867—*continued.*

		£.	£.
	Brought forward - - -	- - -	4,071,099
13.—POST OFFICE—CHARGES OF COLLECTION :	£.		
Bengal and Eastern Settlements :			
Director General, Personal Assistant and Compiler : Salaries, Establishment and Contingent Charges - - - - -	7,728		
Postmaster General, Inspectors, Postmasters, and Deputy Postmasters : Salaries, Establishment and Contingent Charges - - - - -	60,187		
Mail Cart Charges - - - - -	4,767		
Charges on account of the Bhootan Expedition - - - - -	30		
Discount on Sale of Postage Labels - - - - -	2,425	75,137	
Madras :			
Postmaster General, Inspectors, Postmasters, and Deputy Postmasters : Salaries, Establishment and Contingent Charges - - - - -	53,204		
Mail Cart Charges - - - - -	14,701		
Discount on Sale of Postage Labels - - - - -	1,964	69,869	
Bombay :			
Postmaster General, Inspectors, Postmasters, and Deputy Postmasters : Salaries, Establishment and Contingent Charges - - - - -	64,098		
Mail Cart Charges - - - - -	17,648		
Discount on Sale of Postage Labels - - - - -	2,621	84,367	
North-Western Provinces and Oude :			
Postmaster General, Inspectors, Postmasters, and Deputy Postmasters : Salaries, Establishment and Contingent Charges - - - - -	49,747		
Mail Cart Charges - - - - -	36,707		
Discount on Sale of Postage Labels - - - - -	2,094	88,548	
Punjab and Sind :			
Postmaster General, Inspectors, Postmasters, and Deputy Postmasters : Salaries, Establishment and Contingent Charges - - - - -	27,059		
Mail Cart and Bullock Train Charges - - - - -	26,759		
Discount on Sale of Postage Labels - - - - -	1,175	54,993	
British Burmah :			
Chief Inspector, Postmasters, and Deputy Postmasters : Salaries, Establishment and Contingent Charges - - - - -	6,979		
Discount on Sale of Postage Labels - - - - -	287	7,266	
Central Provinces :			
Postmaster General, Inspectors, Postmasters, and Deputy Postmasters : Salaries, Establishment and Contingent Charges - - - - -	11,072		
Mail Cart Charges - - - - -	23,586		
Discount on Sale of Postage Labels - - - - -	291	34,949	
TOTAL CHARGES OF COLLECTION of the POST OFFICE REVENUE - - -	£.		415,129
Carried forward - - -	£.		4,486,228

No. 13.—General Abstract Account of Charges of Collection on Public Income of India, for Year ended
31 March 1867—continued.

	£.	£.
Brought forward - - -	-	4,486,228
14.—ELECTRIC TELEGRAPH—CHARGES OF COLLECTION :		
Bengal :	£.	
Director General of Telegraphs, and Compiler of Telegraph Accounts :		
Salary, Establishment and Contingent Charges - - -	13,612	
Working Account : Salaries, Establishment and Contingent Charges, &c. - - -	23,700	
Construction Charges - - - - -	1,444	
Charges on account of Bhootan Line - - - - -	5,313	
		44,069
Punjab :		
Working Account : Salaries, Establishment and Contingent Charges, &c. - - -	11,138	
Construction Charges - - - - -	322	
		11,460
Bombay :		
Working Account : Salaries, Establishment and Contingent Charges, &c. - - -	16,657	
Construction Charges - - - - -	1,850	
		18,507
Madras :		
Working Account : Salaries, Establishment and Contingent Charges, &c. - - -	11,245	
Construction Charges - - - - -	2,391	
		13,636
East Coast or Ganjam :		
Working Account : Salaries, Establishment and Contingent Charges, &c. - - -	8,933	
Construction Charges - - - - -	189	
		9,122
Central India or Nagpore :		
Working Account : Salaries, Establishment and Contingent Charges, &c. - - -	8,585	
Construction Charges - - - - -	3,774	
		12,359
Indore :		
Working Account : Salaries, Establishment and Contingent Charges, &c. - - -	8,031	
Construction Charges - - - - -	326	
		8,357
Sind :		
Working Account : Salaries, Establishment and Contingent Charges, &c. - - -	10,116	
Construction Charges - - - - -	554	
		10,670
Dacca :		
Working Account : Salaries, Establishment and Contingent Charges, &c. - - -	7,577	
Construction Charges - - - - -	245	
		7,822
Pegu :		
Working Account : Salaries, Establishment and Contingencies, &c. - - -	11,729	
Construction Charges - - - - -	449	
		12,178
Assam :		
Working Account : Salaries, Establishment and Contingencies, &c. - - -	7,839	
Construction Charges - - - - -	554	
		8,393
Bangalore :		
Working Account : Salaries, Establishment and Contingencies, &c. - - -	8,291	
Construction Charges - - - - -	543	
		8,834
Carried forward - - - £.	165,407	4,486,228

No. 13.—General Abstract Account of Charges of Collection on Public Income of India, for Year ended
31 March 1867—*continued*.

		£.	£.
	Brought forward - - -	165,407	4,486,228
14.—ELECTRIC TELEGRAPH—Charges of Collection— <i>continued</i> .			
	£.		
Rajpootanah :			
Working Account: Salaries, Establishment, and Contingencies, &c. -	8,605		
Construction Charges - - - - -	3,644	12,249	
Malabar :			
Working Account: Salaries, Establishment and Contingencies, &c. -	11,307		
Construction Charges - - - - -	417	11,724	
STOREKEEPER :			
General Store and Workshop: Salaries, Establishment and Contingen-			
cies, &c. - - - - -	8,933		
Purchase of Materials and Stores, &c. - - - - -	31,547	40,480	
INDO-EUROPEAN TELEGRAPH :			
Divisional and Local Superintendence - - - - -	54,848		
General Store and Workshop - - - - -	793		
Purchase of Materials and Stores - - - - -	585	56,226	
TOTAL CHARGES ON ACCOUNT OF ELECTRIC TELEGRAPH - - -		£.	286,086
TOTAL CHARGES IN INDIA OF COLLECTION of the REVENUES, including Cost			
of SALT and OPIUM - - - - -	- - -	£.	4,772,314

No. 14.—GENERAL ABSTRACT ACCOUNT of the ALLOWANCES to District and Village
Officers, &c., for the Year ended 31st March 1867.

15.—ALLOWANCES TO DISTRICT AND VILLAGE OFFICERS:		£.	£.
Oude :			
Allowances to Proprietors of Estates - - - - -		489	
North-Western Provinces :			
Allowances to Proprietors of Estates - - - - -		4,490	
Punjab :			
Allowances to Village Officers, including Mowajeeb Allowances - - - - -		921	
Madras :			
Allowances to District and Village Officers - - - - -		34,184	
Bombay and Sind :			
Allowances to District and Village Officers - - - - -		299,535	
TOTAL ALLOWANCES TO DISTRICT and VILLAGE OFFICERS, &c. - - -		£.	339,619

No. 15.—GENERAL ABSTRACT ACCOUNT of the CHARGES on Account of ADMINISTRATION and PUBLIC DEPARTMENTS, for the Year ended the 31st March 1867.

16.—ADMINISTRATION AND PUBLIC DEPARTMENTS:		£.	£.
GOVERNMENT OF INDIA—GENERAL AND POLITICAL:			
Salaries of the Governor General and Members of Council - - - - -		62,085	
Governor General's Household - - - - -		16,364	
Indian Secretariats; Foreign, Home, Financial, Public Works, and Military Depart- ments - - - - -		104,295	
Public Offices; comprising the Office of Comptroller General of Accounts, Central and Treasury Accounts Branches, the General Treasury, &c. - - - - -		32,562	
Board of Examiners; Salary, Establishment and Contingent Charges - - - - -		3,024	
Currency Department; Salary, Establishment and Contingent Charges - - - - -		51,207	
Allowance to the Presidency Bank for conducting the duties of the General Treasury - - - - -		6,591	
Tour Charges of the Governor General - - - - -		52,311	
			328,439
Oude:			
Chief Commissioner at Lucknow; Salary and Allowances of the Chief Commissioner and his Secretary, Establishment and Contingent Charges - - - - -		12,842	
Financial Commissioner; Salary, Establishment and Contingent Charges - - - - -		7,189	
Commissioners; Salaries, Establishment and Contingent Charges - - - - -		18,324	
Emigration Charges under Act XIII. of 1864 - - - - -		10	
			38,365
Central Provinces:			
Chief Commissioner at Nagpore; Salary and Allowances of the Chief Commissioner and his Secretary, Establishment and Contingent Charges - - - - -		16,596	
Commissioners; Salaries, Establishment and Contingent Charges - - - - -		18,835	
Office of Account; Salary, Establishment and Contingent Charges - - - - -		2,648	
Paper Currency Department; Salary, Establishment and Contingent Charges - - - - -		1,159	
Money Order Office - - - - -		32	
			39,270
British Burmah:			
Chief Commissioner at Rangoon; Salary and Allowances of the Chief Commissioner and his Secretary, Establishment and Contingent Charges - - - - -		9,883	
Commissioners; Salaries, Establishment and Contingent Charges - - - - -		11,156	
Office of Account; Salary, Establishment and Contingent Charges - - - - -		7,044	
			28,083
East and West Berar:			
Salary of the Military Secretary to the Resident at Hyderabad, Establishment and Con- tingent Charges - - - - -		2,212	
Commissioner; Salary, Establishment and Contingent Charges - - - - -		4,070	
Office of Account; Salary, Establishment and Contingent Charges - - - - -		1,937	
			8,219
Eastern Settlements:			
Salaries of the Governor, Secretary and Aides-de-Camp - - - - -		4,434	
Salaries of Resident Councillors and Assistant Residents at Prince of Wales Island, Singapore and Malacca, and Superintendent of Province Wellesley, including Esta- blishment and Contingent Charges - - - - -		8,062	
			12,496
Bengal:			
Salary of the Lieutenant Governor - - - - -		9,167	
Household of Lieutenant Governor - - - - -		1,650	
Legislative Council - - - - -		1,319	
Public Offices; comprising the Bengal Secretariat, the Office of Account and Audit, Money Order Department, Labour Transport Department, &c. - - - - -		43,108	
Board of Revenue; Salaries of the Members and Secretaries, Establishment and Con- tingent Charges - - - - -		27,785	
Commissioners; Salaries, Establishment and Contingent Charges - - - - -		53,382	
Emigration Charges under Act XIII. of 1864 - - - - -		869	
Tour Charges of the Lieutenant Governor - - - - -		4,688	
Salary and Sumptuary Allowance of the Chief Commissioner, British Burmah and Secretary		548	
Payment to Bank of Bengal for conducting Treasury business - - - - -		834	
			143,350
Carried forward - - - £.			598,222

No. 15.—General Abstract Account of Administration, &c., for Year ended 31 March 1867—*continued.*

	£.	£.
Brought forward - - -	-	598,222
16.—ADMINISTRATION AND PUBLIC DEPARTMENTS— <i>continued.</i>		
North Western Provinces :		
Salary of the Lieutenant Governor - - - - -	9,167	
Household of the Lieutenant Governor - - - - -	2,805	
Public Offices; comprising the Secretariat, Office of Account and Audit, Money Order Department, and Oordoo Translator - - - - -	33,074	
Board of Revenue; Salaries, Establishment and Contingent Charges - - - - -	20,787	
Commissioners; Salaries, Establishment and Contingent Charges - - - - -	33,351	
Paper Currency Department - - - - -	1,462	
Emigration Charges under Act XIII. of 1864 - - - - -	21	
Tour Charges of the Lieutenant Governor - - - - -	5,608	
		106,275
Punjab :		
Salary of the Lieutenant Governor - - - - -	9,167	
Household of the Lieutenant Governor - - - - -	2,771	
Public Offices; comprising the Secretariat, Office of Account and Audit, and Native Translator - - - - -	24,647	
Financial Commissioner; Salary, Establishment and Contingent Charges - - - - -	9,273	
Commissioners; Salaries, Establishment and Contingent Charges - - - - -	49,371	
Paper Currency Department - - - - -	1,886	
Tour Charges of the Lieutenant Governor - - - - -	5,264	
		102,379
Madras :		
Salaries of the Governor and Members of Council, including portion of the Salary of a Member of the Council of the Governor General - - - - -	24,133	
Household of the Governor - - - - -	8,779	
Public Offices; comprising the Secretariats, Offices of Account and Audit, Money Order Department, and Uncovenanted Civil Service Examination, &c. - - - - -	49,787	
Board of Revenue; Salaries of the Members and Secretaries, Establishment and Contingent Charges - - - - -	22,064	
Board of Examiners; Salaries, Establishment and Contingent Charges - - - - -	1,141	
Currency Department - - - - -	6,640	
Tour Charges of the Governor - - - - -	3,021	
Payment to Bank of Madras for conducting Treasury business - - - - -	1,854	
		117,419
Bombay and Sind :		
Salaries of the Governor and Members of Council - - - - -	23,673	
Household of the Governor - - - - -	10,519	
Salary of the Commissioner of Sind, Establishment and Contingent Charges - - - - -	8,378	
Legislative Council - - - - -	2,981	
Public Offices; comprising the Secretariats, Office of Account and Audit, Translators, &c. - - - - -	57,579	
Commissioners; Salaries, Establishment and Contingent Charges - - - - -	15,090	
Currency Department - - - - -	35,426	
Tour Charges of the Governor - - - - -	8,015	
Payment to Bank of Bombay for conducting Treasury business - - - - -	3,108	
		164,769
TOTAL ADMINISTRATION AND PUBLIC DEPARTMENTS in INDIA - - - £.		1,089,064
IN ENGLAND:		
Payments as in Home Accounts - - - - -		182,220
TOTAL ADMINISTRATION AND PUBLIC DEPARTMENTS - - - £.		1,271,284

No. 16.—GENERAL ABSTRACT ACCOUNT of the Charges on Account of LAW and JUSTICE, for the Year ended the 31st March 1867.

17.—LAW AND JUSTICE.

GOVERNMENT OF INDIA—GENERAL AND POLITICAL:

	£.	£.
High Court of Judicature: Salaries of the Chief Justice, Puisne Judges, Officers and Establishments under the High Court, including Salaries and Establishments of the Government Law Officers and Contingent Charges - - - - -	114,887	
Civil and Criminal Courts: Salaries, Establishment and Contingent Charges - - - - -	2,093	
Courts of Small Causes: Salaries, Establishments and Contingencies - - - - -	188	
Jail Establishment and Charges, &c. - - - - -	975	
Registration Department - - - - -	108	
Charges on account of Convicts transported to the Eastern Settlements - - - - -	18,376	136,627
Oude:		
Judicial Commissioner: Salary, Establishment and Contingent Charges - - - - -	4,865	
Civil and Criminal Courts: Salaries, Establishment and Contingent Charges - - - - -	33,133	
Courts of Small Causes: Salaries, Establishment and Contingent Charges - - - - -	1,221	
Inspector of Jails: Salary, Establishment and Contingent Charges - - - - -	1,480	
Jail Establishment and Charges - - - - -	22,278	62,977
Central Provinces:		
Judicial Commissioner: Salary, Establishment and Contingent Charges - - - - -	6,534	
Civil and Criminal Courts: Salaries, Establishment and Contingent Charges - - - - -	38,304	
Courts of Small Causes: Salaries, Establishment and Contingent Charges - - - - -	2,303	
Inspector of Jails: Salary, Establishment and Contingent Charges - - - - -	1,858	
Jail Establishment and Charges - - - - -	20,503	60,502
British Burmah:		
Recorder's Court: Salary, Establishment and Contingent Charges - - - - -	5,949	
Civil and Criminal Courts: Establishment and Contingent Charges - - - - -	33,275	
Court of Small Causes: Establishment and Contingent Charges - - - - -	571	
Inspector of Jails: Salary, Establishment and Contingent Charges - - - - -	1,630	
Jail Establishment and Charges - - - - -	18,967	
Convict Charges at Port Blair - - - - -	122,625	183,017
East and West Berar:		
Court of Small Causes: Salary, Establishment and Contingent Charges - - - - -	1,922	
Jail Establishment and Charges - - - - -	8,536	10,458
Eastern Settlements:		
Salaries of the Recorders and Registrar, Establishment of the Court of Judicature, Court of Requests, Sheriff and Coroner, &c. - - - - -	16,665	
Jail Establishment and Charges - - - - -	6,012	22,677
Bengal:		
Justices of the Peace: Salaries of the Justices, Establishment and Contingent Charges - - - - -	6,030	
Court of Small Causes at the Presidency: Salaries of the Judges, Establishment and Contingent Charges - - - - -	14,877	
Coroner's Office: Salary, Establishment and Contingencies - - - - -	1,213	
House of Correction at the Presidency - - - - -	10,129	
Portion of the Establishment of the High Court at the Presidency - - - - -	91	
Provincial and Zillah Courts:		
Provincial, Civil, and Criminal Courts: Salaries, Establishment and Contingencies - - - - -	351,275	
Courts of Small Causes in the Mofussil: Salaries, Establishment and Contingencies - - - - -	26,144	
Superintendent and Remembrancer of Legal Affairs, including Pleaders and Establishment - - - - -	6,119	
Inspector of Jails: Salary, Establishment and Contingent Charges - - - - -	3,351	
Jail Establishment and Charges, including a portion of the Convict Charges at Port Blair - - - - -	186,468	
Registration Department - - - - -	22,103	627,800
Carried forward - - - £.		1,113,058

No. 16.—General Abstract Account of Law and Justice, &c., for Year ended 31 March 1867—*continued*.

		£.	£.
	Brought forward - - -	1,113,058	
17.—LAW AND JUSTICE— <i>continued</i> .			
North Western Provinces:			
	£.		
High Court of Judicature; Salaries of the Chief Justice and Puisne Judges, Establishment and Contingent Charges - - - - -	37,400		
Civil and Criminal Courts: Salaries, Establishments and Contingent Charges - - - - -	211,952		
Courts of Small Causes: Salaries, Establishments and Contingent Charges	5,730		
Inspector of Jails: Salary, Establishment and Contingent Charges - -	3,994		
Jail Establishment and Charges - - - - -	63,057		
Registration Department - - - - -	14,381		
		336,514	
Punjab:			
Chief Court: Salary of the Judges, Establishment and Contingent Charges	15,451		
Civil and Criminal Courts: Salary of the Judges, Establishment and Contingent Charges - - - - -	95,259		
Courts of Small Causes: Salary of the Judges, Establishment and Contingent Charges - - - - -	8,465		
Inspector of Jails: Salary, Establishment and Contingent Charges - -	2,572		
Jail Establishment and Charges - - - - -	42,981		
		164,728	
Madras:			
High Court of Judicature: Salaries of the Chief Justice and Puisne Judges, Establishment and Contingencies, including those of Government Law Officers, &c. - - - - -	40,781		
Coroner's Office - - - - -	651		
Sheriff's Office - - - - -	1,615		
Court of Small Causes at the Presidency - - - - -	7,100		
Allowance for Establishment, &c., to the Administrator General - -	660		
Magisterial Courts at the Presidency - - - - -	6,022		
House of Correction - - - - -	5,441		
Provincial and Zillah Courts:			
	£.		
Provincial, Civil and Criminal Courts - - - - -	223,813		
Courts of Small Causes in the Mofussil - - - - -	13,732		
Inspector of Jails: Salary, Establishment and Contingencies	2,778		
Jail Establishment and Charges - - - - -	69,714		
Registration Department - - - - -	20,270		
		330,307	
		392,577	
Bombay and Sind:			
High Court of Judicature: Salaries of the Chief Justice and Puisne Judges, Establishment and Contingencies, including those of Government Law Officers, &c. - - - - -	73,401		
Coroner's Office - - - - -	868		
Court of Small Causes at the Presidency - - - - -	14,714		
Magisterial Court at the Presidency - - - - -	6,537		
House of Correction - - - - -	12,388		
Provincial and Zillah Courts:			
	£.		
Provincial Civil and Criminal Courts - - - - -	195,292		
Courts of Small Causes in the Mofussil - - - - -	7,946		
Inspector of Jails: Salary, Establishment and Contingencies	2,848		
Jail Establishment and Charges - - - - -	57,579		
Registration Department - - - - -	19,338		
		283,003	
		390,911	
TOTAL LAW AND JUSTICE - - - £.			2,397,788

No. 17.—GENERAL ABSTRACT ACCOUNT of the CHARGES on account of POLICE, for
the Year ended the 31st March 1867.

18.—POLICE :		£.	£.
GOVERNMENT OF INDIA—GENERAL AND POLITICAL :			
Suppression of Thuggee and Dacoity ; Salaries, Establishment and Contingent Charges -		9,039	
District Executive Police Force ; Salaries, Establishment and Contingencies - - -		77	
Oude :			9,116
Inspector and Deputy Inspector General of Police ; Establishment and Contingent Charges		3,305	
Thuggee and Dacoity Department - - -		72	
District Executive Police Force ; Salaries, Establishment and Contingencies - - -		98,106	
Municipal Police - - - - -		8,677	
Central Provinces :			110,160
Inspector General of Police ; Salary, Establishment and Contingent Charges - -		3,661	
Thuggee and Dacoity Department - - -		3,239	
District Executive Police Force ; Salary, Establishment and Contingent Charges -		108,478	
Municipal Police - - - - -		12,372	
British Burmah :			127,760
Inspector General and Personal Assistant ; Salary, Establishment and Contingent Charges		2,824	
District Executive Police Force ; Salary, Establishment and Contingent Charges -		103,546	
Municipal and Village Police - - - - -		10,167	
East and West Berar :			116,537
Inspector General of Police ; Salary, Establishment and Contingencies - - -		3,741	
District Executive Police Force ; Salary, Establishment and Contingencies - - -		34,207	
Frontier Chowkeedaree Police - - - - -		983	
Eastern Settlements :			38,981
Commissioners, Deputy Commissioners, and Executive Police Force - - - -		4,438	
Bengal :			4,438
Calcutta Police ; Salary, Establishment and Contingent Charges of the Commissioner and Executive Police Force, &c. - - - - -		38,611	
Suburban Police - - - - -		6,895	
Inspector and Deputy Inspector General of Police ; Establishment and Contingent Charges		18,863	
District Executive Police Force ; Salary, Establishment and Contingencies - - -		435,549	
Municipal and Village Police - - - - -		23,710	
North Western Provinces :			523,628
Inspector and Deputy Inspector General of Police ; Salary, Establishment and Con- tingent Charges - - - - -		9,933	
District Executive Police Force ; Salary, Establishment and Contingent Charges -		331,022	
Punjab :			340,955
Inspector and Deputy Inspector General of Police ; Salary, Establishment and Con- tingent Charges - - - - -		8,336	
District Executive Police Force ; Salary, Establishment and Contingent Charges -		234,255	
Municipal and Village Police - - - - -		30,493	
Madras :			273,084
Police Charges at the Presidency, including Marine Police - - - - -		21,226	
Inspector and Deputy Inspector General of Police ; Salary, Establishment and Con- tingent Charges - - - - -		9,164	
District Executive Police Force ; Salary, Establishment and Contingent Charges -		332,463	
Bombay and Sind :			362,853
Police Charges at the Presidency - - - - -		25,211	
District Executive Police Force - - - - -		330,258	
			355,469
TOTAL POLICE - - - £.			2,262,921

No. 18.—GENERAL ABSTRACT ACCOUNT of the MARINE CHARGES of INDIA, for the
Year ended the 31st March 1867.

19.—MARINE.		£.	£.	£.
British Burmah :				
Master Attendant, Dockyard, and other Marine Establishments - -		589		
Marine Pay and Allowances, including Charges on Account of Steamers -		4,751		
Lighthouses - - - - -		2,073		
Purchase of Coals, &c. - - - - -		49		
Subsidies to Steamboat Companies for Conveyance of Mails - - -		2,750		
Marine Charges, Port Blair - - - - -		6,853		
Miscellaneous - - - - -		1,065		
			17,630	
Eastern Settlements :				
Master Attendant and Signal Department, Marine Pay and Allowances, } &c. - - - - -		2,329		
Lighthouse Charges, &c. - - - - -		2,432		
Charges for the Suppression of Piracy - - - - -		5,458		
Purchase of Coal and other Marine Stores - - - - -		1,813		
Cost of Provisions and Victuals - - - - -		1,080		
Purchase of Steamers - - - - -		3,960		
			17,072	
Bengal :				
Master Attendant's Office; Salaries, Establishment and Contingent Charges		4,236		
Shipping Office; Salaries, Establishment and Contingent Charges - -		1,903		
Pilotage, Pilot Establishment and Vessels - - - - -		59,062		
State Yacht Establishment (Crew) - - - - -		373		
Miscellaneous - - - - -		109		
			65,773	
CHARGES ON ACCOUNT OF SEA-GOING VESSELS:				
Marine Pay and Allowances - - - - -		17,490		
Coals, Coal and Steam Agencies, &c. - - - - -		40,715		
Victuals for Crew of Ships and Vessels - - - - -		7,072		
Miscellaneous Stores - - - - -		49,686		
Naval Storekeeper; Salaries, Establishment and Contingent Charges -		1,396		
Kidderpore Dockyard - - - - -		4,451		
Agent for Transports and Government Consignments; Salary, Establish- } ment and Contingent Charges - - - - -		1,269		
Marine Court, Marine Surgeon, &c. - - - - -		1,179		
Wages to Artificers, Building and Repairs of Ships - - - - -		45,379		
Conveyance of Rangoon, Bombay, and Chittagong Mails - - -		26,100		
Sundry Items - - - - -		1,704		
			196,441	
Carried forward - - -	£.		296,916	

No. 18.—General Abstract Account of the Marine Charges of India, for Year ended 31 March 1867—*continued*.

		£.	£.
	Brought forward . . .	296,916	
19.—MARINE— <i>continued</i> .			
Punjab :	£.		
Marine Establishments - - - - -	5,833		
Marine Pay and Allowances - - - - -	6,109		
Pilot Vessels - - - - -	587		
Wages to Artificers, Building and Repairs of Ships - - - - -	1,627		
Purchase of Coals and other Stores - - - - -	4,357		
Miscellaneous - - - - -	115	18,628	
Madras :			
Master Attendant and Marine Establishments - - - - -	9,627		
Purchase of Coal, Fuel, &c. - - - - -	5,485		
Subsidies to Steamboat Companies for conveyance of Mails and Miscellaneous - - - - -	6,600	21,712	
Bombay and Sind :			
Superintendent of Marine, Dockyard and other Marine Establishments - - - - -	16,644		
Shipping Master ; Salary, Establishment and Contingent Charges - - - - -	1,771		
Marine Pay and Allowances - - - - -	33,704		
Wages to Artificers, Building and Repairs of Ships - - - - -	45,862		
Victuals for Crew of Ships and Vessels - - - - -	14,639		
Coals and Coal Agencies, and Purchase of Timber and other Stores - - - - -	54,066		
Subsidies to Steamboat Companies for conveyance of Mails - - - - -	24,222		
Purchase of Steamers - - - - -	10,050		
Miscellaneous - - - - -	47,731	248,689	
TOTAL MARINE CHARGES IN INDIA - - - £.			585,945
IN ENGLAND :			
Stores - - - - -			128,572
Other Payments as in Home Accounts - - - - -			56,113
TOTAL MARINE CHARGES - - - £.			770,630

No. 19.—GENERAL ABSTRACT ACCOUNT of the CHARGES on account of EDUCATION,
SCIENCE and ART, for the Year ended the 31st March 1867.

		£.	£.
20—EDUCATION, SCIENCE AND ART.			
GOVERNMENT OF INDIA—GENERAL AND POLITICAL:			
Calcutta University: Salary, Establishment and Contingencies of the Registrar, Allowances to Examiners, Scholarships, &c. - - - - -	}	4,119	
School Establishment and Contingencies, &c. - - - - -		1,691	
Grants-in-aid to Schools - - - - -		925	
Surveys and Observatories, including Museums, &c. - - - - -		112,957	
Miscellaneous - - - - -		1,320	120,412
Oude:			
Director of Public Instruction and Inspectors of Schools: Salaries, Establishment and Contingent Charges - - - - -	}	3,533	
School Establishment and Contingencies, including Government Book Depôt, &c. -		6,638	
Grants-in-aid to Schools - - - - -		4,308	
Miscellaneous - - - - -		1,941	16,420
Central Provinces:			
Director of Public Instruction: Salary, Establishment and Contingent Charges - -		1,822	
School Establishment and Contingencies, including Scholarships, Prizes, &c. - -		10,912	
Grants-in-aid to Schools - - - - -		1,573	
Surveys and Museums, &c. - - - - -		3,753	18,060
British Burmah:			
Inspector of Schools - - - - -		574	
School Establishment and Contingencies - - - - -		1,981	
Grants-in-aid to Schools - - - - -		4,059	
Surveys and Scientific Institutions - - - - -		11	6,625
East and West Berar:			
Director of Public Instruction and Inspector of Schools: Salary, Establishment, and Contingent Charges - - - - -	}	2,848	
School Establishment and Contingencies - - - - -		4,116	6,964
Eastern Settlements:			
Grants-in-aid and Allowances to Schools, &c. - - - - -		- - -	2,574
Bengal:			
Director of Public Instruction and Inspectors of Schools: Salaries, Establishment and Contingent Charges - - - - -	}	28,724	
Presidency, Medical, Sanskrit, and other Colleges in Calcutta and in the Mofussil -		53,963	
Schools at the Presidency and in the Provinces - - - - -		41,421	
Grants-in-aid to Schools - - - - -		33,151	
Scholarships, Prizes, &c. - - - - -		10,775	
Donations to Scientific and Literary Institutions, &c. - - - - -		12,392	180,426
Carried forward - - -		£.	351,481

No. 19.—General Abstract Account of the Charges on account of Education, Science and Art, for the Year ended 31 March 1867—*continued*.

	£.	£.
Brought forward - - -	- - -	351,481
20—EDUCATION, SCIENCE AND ART— <i>continued</i> .		
North Western Provinces :		
Director of Public Instruction and Inspector of Schools : Salaries, Establishment and Contingent Charges - - - - -	25,086	
Government Colleges - - - - -	22,983	
School Establishment and Contingencies, including Government Book Depôt, &c. -	13,078	
Grants-in-aid to Schools - - - - -	25,059	
Charges on account of Scientific Institutions, &c. - - - - -	4,741	
		90,947
Punjab :		
Director of Public Instruction, Inspectors of Schools, &c. : Salaries, Establishment and Contingent Charges - - - - -	10,120	
Government Colleges - - - - -	4,049	
School Establishment and Contingencies, including Government Book Depôt - -	23,387	
Grants-in-aid to Schools - - - - -	16,220	
Scientific Institutions, &c. - - - - -	3,148	
		56,924
Madras :		
Madras University: Salary, Establishment and Contingencies of the Registrar, Allowances to Examiners, &c. - - - - -	1,796	
Director of Public Instruction and Inspectors of Schools: Salaries, Establishment and Contingencies - - - - -	12,319	
Presidency, Medical and Civil Engineering Colleges - - - - -	12,096	
School Establishment and Contingencies, including Government Book Agency - -	16,908	
Grants-in-aid to Schools and Educational Institutions - - - - -	16,140	
Scientific Institutions, Public Museums, Observatory, Botanical Gardens, &c. - -	12,421	
Miscellaneous - - - - -	6,610	
		78,290
Bombay and Sind :		
Bombay University: Salary, Establishment and Contingencies of the Registrar, Allowances to Examiners, &c. - - - - -	4,586	
Director of Public Instruction and Inspectors of Schools: Salaries, Establishment and Contingent Charges - - - - -	15,994	
Government Colleges - - - - -	6,606	
School Establishment and Contingencies, including Government Book Depôts - -	49,291	
Grants-in-aid and Allowances to Schools, &c. - - - - -	16,494	
Scientific Institutions and Societies, &c. - - - - -	1,901	
Miscellaneous - - - - -	2,203	
		97,075
TOTAL EDUCATION, SCIENCE AND ART - - - £.		674,717

No. 20.—GENERAL ABSTRACT ACCOUNT of the CHARGES on account of ECCLESIASTICAL ESTABLISHMENTS, for the Year ended the 31st March 1867.

21.—ECCLESIASTICAL :		£.	£.
GOVERNMENT OF INDIA—GENERAL AND POLITICAL :			
Salary and Visitation Allowance of the Lord Bishop, Salary of the Domestic Chaplain, } Archdeacon, &c. - - - - -		9,565	
Oude :			
Ecclesiastical Establishment - - - - -		3,051	
Central Provinces :			
Ecclesiastical Establishment - - - - -		3,330	
British Burmah :			
Ecclesiastical Establishment - - - - -		4,579	
East and West Berar :			
Ecclesiastical Establishment - - - - -		234	
Eastern Settlements :			
Ecclesiastical Establishment - - - - -		2,224	
Bengal :			
Ecclesiastical Establishment - - - - -		24,459	
North Western Provinces :			
Ecclesiastical Establishment - - - - -		15,141	
Punjab :			
Ecclesiastical Establishment and Allowances - - - - -		15,311	
Madras :			
Ecclesiastical Establishment, including Salaries of the Bishop, Archdeacon, &c. - - -		36,188	
Bombay and Sind :			
Ecclesiastical Establishments, including Salaries of the Bishop, &c. - - - - -		30,278	
TOTAL ECCLESIASTICAL - - -		£.	144,360

No. 21.—GENERAL ABSTRACT ACCOUNT of the CHARGES on account of MEDICAL SERVICES, for the Year ended the 31st March 1867.

22.—MEDICAL SERVICES :		£.	£.
GOVERNMENT OF INDIA—GENERAL AND POLITICAL :			
Medical Establishment, including Hospitals and Dispensaries - - - - -	- - - - -	-	191
Oude :			
Medical Establishment, including Lunatic Asylum, Hospitals and Dispensaries - - - - -	- - - - -	-	8,421
Central Provinces :			
Medical and Vaccine Establishments, including Lunatic Asylum, Hospitals, and Dispensaries - - - - -	- - - - -	-	13,131
British Burmah :			
Medical and Vaccine Establishments, including Hospitals and Dispensaries - - - - -	- - - - -	-	8,072
East and West Berar :			
Medical and Vaccine Establishments, and Allowances for Medical purposes - - - - -	- - - - -	1,905	
Grants for Medical purposes - - - - -	- - - - -	24	
			1,929
Eastern Settlements :			
Medical Establishments, including Lunatic Asylum, Hospitals, and Dispensaries - - - - -	- - - - -	5,507	
Grants to private Medical Establishments - - - - -	- - - - -	110	
			5,617
Bengal :			
Medical and Vaccine Establishments, including Chemical Examiner to Government, Lunatic Asylum, Hospitals and Dispensaries - - - - -	- - - - -	55,561	
Grants to private Medical Establishments - - - - -	- - - - -	3,152	
			58,713
North Western Provinces :			
Medical and Vaccine Establishments, including Chemical Examiner to Government, Hospitals and Dispensaries - - - - -	- - - - -	31,019	
Grants for Medical purposes - - - - -	- - - - -	2,391	
			33,410
Punjab :			
Medical and Vaccine Establishments, including Chemical Examiner, Lunatic Asylum, Hospitals and Dispensaries - - - - -	- - - - -	-	25,247
Madras :			
Medical and Vaccine Establishments, including Chemical Examiner, Lunatic Asylum, Hospitals and Dispensaries - - - - -	- - - - -	-	49,983
Bombay and Sind :			
Medical and Vaccine Establishments, including Chemical Examiner, Lunatic Asylum, Hospitals and Dispensaries - - - - -	- - - - -	57,024	
Grants to private Medical Establishments - - - - -	- - - - -	63	
			57,087
TOTAL MEDICAL SERVICES - - - - -		£.	261,801

No. 22.—GENERAL ABSTRACT ACCOUNT of the CHARGES on account of STATIONERY and PRINTING, for the Year ended the 31st March 1867.

23.—STATIONERY AND PRINTING:		£.	£.
GOVERNMENT OF INDIA—GENERAL AND POLITICAL:			
Printing Establishments in the Secretariats and Office of Account, including Charges } for Printing executed at the Military Orphan Press, &c. - - - - - }	- -	-	34,834
Oude :			
Printing Establishment and Charges - - - - -	- -	-	2,548
Central Provinces :			
Printing Establishment and Charges - - - - -	- -	-	6,074
British Burmah :			
Printing Establishment and Charges - - - - -	- -	-	2,768
East and West Berar :			
Printing Establishment and Charges - - - - -	- -	-	1,382
Eastern Settlements :			
Printing Charges - - - - -	- -	281	
Purchase of Stationery - - - - -	- -	114	
			395
Bengal :			
Stationery Office at the Presidency - - - - -	- -	5,741	
Printing Establishments and Charges - - - - -	- -	22,573	
Purchase of Stationery - - - - -	- -	12,699	
			41,013
North Western Provinces :			
Printing Establishments and Charges - - - - -	- -	-	23,317
Punjab :			
Printing Establishments and Charges - - - - -	- -	-	7,966
Madras :			
Stationery Office at the Presidency - - - - -	- -	717	
Printing Establishments and Charges - - - - -	- -	22,797	
Purchase of Stationery - - - - -	- -	10,293	
			33,807
Bombay and Sind :			
Stationery Office at the Presidency - - - - -	- -	1,573	
Printing Establishments and Charges - - - - -	- -	18,115	
Purchase of Stationery - - - - -	- -	6,504	
			26,192
TOTAL STATIONERY AND PRINTING IN INDIA - - -		£.	180,296
IN ENGLAND:			
Stores - - - - -	- -	-	117,178
Other Payments as in Home Accounts - - - - -	- -	-	4,290
TOTAL STATIONERY AND PRINTING - - -		£.	301,764

No. 23.—GENERAL ABSTRACT ACCOUNT of the CHARGES on account of POLITICAL AGENCIES and other FOREIGN SERVICES, for the Year ended the 31st March 1867.

24.—POLITICAL AGENCIES AND OTHER FOREIGN SERVICES:		£.	£.
GOVERNMENT OF INDIA—GENERAL AND POLITICAL:			
Residents and Political Agents, &c., at Foreign Courts: Salaries and Allowances,	}	54,210	
Establishments and Contingent Charges - - - - -			
Durbar Presents, and Allowances to Vakeels, &c. - - - - -		34,255	89,327
Sundry Items - - - - -		762	
Central Provinces:			
Durbar Presents - - - - -		-	287
British Burmah:			
Political Establishments and Charges, including Expenses on account of State	}	6,076	
Prisoners - - - - -			
Mission to Mandalay - - - - -		3,820	9,896
Eastern Settlements:			
Miscellaneous - - - - -		-	5
Bengal:			
Political Establishments and Charges - - - - -		2,473	3,820
Durbar Presents, and Allowances to Vakeels, Natives of Rank, &c. - - - - -		921	
Bhootan Charges - - - - -		426	
North Western Provinces:			
Political Establishments and Charges - - - - -		32,674	33,052
Sundry Items - - - - -		378	
Punjab:			
Pay of British Envoy at Cabool, and other Political Establishments and Charges -		5,239	10,976
Durbar Presents - - - - -		3,747	
Sundry Items - - - - -		1,990	
Madras:			
Residents and Agents at Foreign Courts: Salaries, Establishments, and Contingent	}	8,955	
Charges - - - - -			
Charges on account of State Prisoners - - - - -		168	9,123
Bombay and Sind:			
Residents and Agents at Foreign Courts: Salaries, Establishments, and Contingent	}	60,801	
Charges - - - - -			
Durbar Presents and Allowances to Natives of Rank, &c. - - - - -		3,269	81,803
Sundry Items - - - - -		17,733	
TOTAL POLITICAL AGENCIES AND OTHER FOREIGN SERVICES IN INDIA - - - - -		£.	238,289
IN ENGLAND:			
Payments as in Home Accounts - - - - -		-	28,600
TOTAL POLITICAL AGENCIES AND OTHER FOREIGN SERVICES - - - - -		£.	267,098

No. 24.—GENERAL ABSTRACT ACCOUNT of the ALLOWANCES and ASSIGNMENTS out of the REVENUES, in accordance with Treaties or other Engagements, in the Year ended the 31st March 1867.

25.—ALLOWANCES AND ASSIGNMENTS UNDER TREATIES AND ENGAGEMENTS:		£.	£.
GOVERNMENT OF INDIA—GENERAL AND POLITICAL:			
Pension of Wazed Ally Shah, ex-King of Oude - - - - -		110,000	
Proportion of Pension of Maharajah Dulleep Sing - - - - -		1,100	
Pension to Ally Bahadoor, ex-Newab of Banda, including Allowance to the Family of the late Zoolficar Ally - - - - -		3,300	
Stipends and Extra Allowances, &c., to His Highness Prince Golam Mahomed, son of the late Tippoo Sultan - - - - -		3,899	
Pensions to the Family of the ex-Rajah of Coorg - - - - -		897	
Compensation - - - - -		5,897	
Pagoda and Mosque Allowances - - - - -		1,279	
Pensions exceeding 5,000 rupees per annum, but not exceeding 20,000 rupees per annum - - - - -		18,056	
Pensions not exceeding 5,000 rupees per annum - - - - -		15,492	
TOTAL GOVERNMENT OF INDIA—GENERAL AND POLITICAL - - -		£.	159,920
O U D E:			
TERRITORIAL AND POLITICAL PENSIONS:			
Newab Malka Jehan - - - - -		6,750	
Newab Sooltan Begum - - - - -		600	
Malk Dooran Newab Rookya Sooltan Begum - - - - -		1,300	
Political Pensions not exceeding 20,000 rupees per annum - - - - -		29,497	
Pensions not exceeding 5,000 rupees per annum - - - - -		48,684	
Maafee Compensation - - - - -		672	
Miscellaneous - - - - -		4,683	
TOTAL OUDE - - -		£.	92,686
CENTRAL PROVINCES:			
Gond Rajah Sulliman Shah - - - - -		9,794	
Janojee Rao Bhonslah Rajah Bahadoor, and the Widows of the late Ruler - - - - -		17,875	
Trimbuckjee Nana Aeeher Rao - - - - -		917	
Eshwant Rao Goojur - - - - -		2,273	
Purbut Rao Goojur - - - - -		599	
Pensions exceeding 5,000 rupees, but not exceeding 20,000 rupees per annum - - - - -		6,316	
Pensions not exceeding 5,000 rupees per annum - - - - -		49,584	
TOTAL CENTRAL PROVINCES - - -		£.	88,358
EAST AND WEST BERAR:			
Pensions to Maharatta Salianadars - - - - -		3,869	
Maharatta Choute - - - - -		10,811	
Political Pensions, including Charitable and Religious Grants - - - - -		2,155	
TOTAL EAST AND WEST BERAR - - -		£.	16,835
EASTERN SETTLEMENTS:			
Political Pensions exceeding 5,000 rupees per annum - - - - -		2,886	
Ditto - - - under 5,000 rupees per annum - - - - -		1,379	
Local Pensions (Compensation to Landowners) - - - - -		763	
TOTAL EASTERN SETTLEMENTS - - -		£.	5,028
Carried forward - - -		£.	362,827

No. 24.—General Abstract Account of the Allowances, &c. out of the Revenues, for Year ended 31 March 1867—*cont^d*.

	£.	£.
Brought forward - - -	-	362,827
25.—ALLOWANCES, &c. UNDER TREATIES AND ENGAGEMENTS— <i>continued</i> .		
BENGAL:	£.	
STIPENDS AND ALLOWANCES OF THE NIZAMUT:		
His Highness Newab Nazim's Personal Allowance - - - - -	67,151	
Her Highness Munnee Begum - - - - -	45,144	
Munnee and Buhoo Begums Establishments - - - - -	2,138	
Rajmehal Family - - - - -	2,759	
Syed Azcem Ally Khan - - - - -	4,923	
Raisoonnissa Begum (Widow of Humayoonjah) - - - - -	9,150	
Syed Sufdarah Khan - - - - -	870	
Newab Shumshe Jehan Begum (Consort of Furreedoonjah) - - - - -	4,107	
Newab Mulkzumaneah Begum (Second wife of ditto) - - - - -	4,107	
Allowances to various Chiefs, their Families and Dependents, exceeding } 5,000 rupees, and not exceeding 20,000 rupees per annum - - - - -	14,057	
Allowances to various Chiefs, their Families and Dependents, not exceed- } ing 5,000 rupees per annum - - - - -	22,100	
		176,506
PENSIONS AND CHARITABLE ALLOWANCES:		
Rajah Bhoop Sing (Grandson of Rajah Kulyan Sing) - - - - -	2,337	
Unno-chutter charges paid in Cuttack - - - - -	594	
Compensation to the Bhooteahs for the resumption of Dooars in Assam -	3,500	
Pensions not exceeding 5,000 rupees per annum - - - - -	1,498	
		7,929
COMPENSATIONS:		
Salt.		
Compensation payable under Convention with the French Government in } lieu of Salt formerly supplied to them - - - - -	51,970	
Sayer.		
Compensations exceeding 5,000 rupees per annum - - - - -	1,490	
Ditto - - not exceeding 5,000 rupees per annum - - - - -	1,971	
		55,431
TOTAL BENGAL - - - £.		239,866
NORTH WESTERN PROVINCES:		
TERRITORIAL AND POLITICAL PENSIONS:		
Ishreepersad Narain Sing, Rajah of Benares - - - - -	7,500	
Pensions exceeding 5,000 rupees, and not exceeding 20,000 rupees per } annum each - - - - -	9,244	
Rajah Bulwant Sing - - - - -	2,200	
Pensions granted on the resumption of Maafce Tenures - - - - -	10,152	
Political Pensions under 5,000 rupees per annum - - - - -	14,848	
Ex-Rajah of Coorg - - - - -	3,070	
		47,014
PENSIONS AND CHARITABLE ALLOWANCES:		
Charitable Pensions not exceeding 20,000 rupees per annum - - - - -	3,352	
Pensions and Charitable Allowances under 5,000 rupees per annum -	12,156	
		15,508
SAYER COMPENSATION:		
Rajah Mohender Sing - - - - -	2,209	
Miscellaneous Compensations under 5,000 rupees per annum - - - - -	5,053	
		7,262
TOTAL NORTH WESTERN PROVINCES - - - £.		69,784
Carried forward - - - £.		672,477

No. 24.—General Abstract Account of the Allowances, &c. out of the Revenues, for Year ended 31 March 1867—*contd.*

	£.	£.
Brought forward - - -	-	672,477
25.—ALLOWANCES, &c. UNDER TREATIES AND ENGAGEMENTS— <i>continued.</i>		
PUNJAB:	£.	
TERRITORIAL AND POLITICAL PENSIONS:		
Rajah Bukht Ally - - - - -	1,540	
Murdan Sing - - - - -	880	
Rajah Fyztullub Khan - - - - -	917	
Rajah Jeswant Sing - - - - -	917	
Sirdar Saleh Mahomed Khan - - - - -	1,100	
Mohun Loll - - - - -	550	
Bahadoor Jhung Khan - - - - -	168	
Sirdar Dewa Sing - - - - -	660	
Sirdar Mahomed Hossein Khan - - - - -	87	
Sirdar Sooltan Secunder - - - - -	550	
Nazir Kharoolla - - - - -	750	
Mirza Ellahee Bux - - - - -	500	
Ajoodiah Pershad - - - - -	650	
Stipends of Ranees of deceased Maharajahs, including Allowances to Dependents and Adherents - - - - -	3,986	
Pensions under 5,000 rupees per annum granted on the resumption of Maaffee Tenures - - - - -	28,029	
Political Pensions under 5,000 rupees per annum - - - - -	21,070	63,251
PENSIONS AND CHARITABLE ALLOWANCES:		
Pension of Mirza Ellahee Bux - - - - -	875	
Pension of Ranee Kissen Kour of the late Rajah Bullub Ghur - - - - -	550	
Pension of Kour Khoshal Sing - - - - -	500	
Charitable Allowances under 5,000 rupees per annum - - - - -	36,050	37,975
SAYER COMPENSATION.		
Allowances to Rajahs and others, in lieu of Customs, Transit Duties, &c., abolished - - - - -	-	3,472
TOTAL PUNJAB - - -	£.	104,701
MADRAS:		
Tanjore:		
Allowances to the Relatives, Servants, &c. of his Highness the late Rajah of Tanjore, including Commutation of Pensions, &c. - - - - -	41,059	
Allowances to the Family of the late Rajah Ameer Sing - - - - -	909	41,968
Masulipatam:		
Stipends to the Family of the late Newab of Masulipatam - - - - -	-	3,456
Ceded Districts:		
Stipends and extra Allowances to the Families of the late Hyder Ally Khan and Tippoo Sultan, exclusive of payments made in Bengal - - - - -	-	4,011
Carried forward - - -	£.	49,435
		777,178

No. 24.—General Abstract Account of the Allowances, &c. out of the Revenues, for Year ended 31 March 1867—*cont'd.*

		£.	£.
	Brought forward - - -	49,435	777,178
25.—ALLOWANCES, &c. UNDER TREATIES AND ENGAGEMENTS— <i>continued.</i>			
MADRAS— <i>continued.</i>	£.		
COMPENSATIONS, PENSIONS, AND CHARITABLE ALLOWANCES:			
Pagoda and Mosque Allowances, and Compensations in lieu of resumed Lands, Offices and Privileges, including Salt Compensations - - }	98,495		
Pensions and Charitable Allowances - - - - -	4,166		
Pagoda and Mosque Allowances - - - - -	4,908		
Allowances to Zemindars, Jageerdars, and Enamdars, &c. - - -	27,047		
		134,616	
Carnatic:			
TERRITORIAL AND POLITICAL PENSIONS:			
Pensions, &c. to the Families and Dependents of the late Newabs, and to the Carnatic Family and Dependents, &c. - - - - }	55,767		
Stipends, &c. to Prince Azeem Jah Bahadoor - - - - -	12,700		
Payment to the French Government at Pondicherry on account of the Arrack Farm in the French Pettah at Masulipatam - - - - }	355		
		68,822	
Kurnal:			
Stipends to the Family and Dependents of the Newab of Kurnal - - -	- - -	10,718	
	TOTAL MADRAS - - -	£.	263,591
BOMBAY AND SIND:			
Pensions to the Family and Dependents of the late Newab of Surat - - -	- - -	9,167	
Newab Mahomed Ally Khan Bahadoor - - - - -	- - -	4,637	
Aeesaheb Maharaj - - - - -	- - -	5,500	
Subsidy to the Khan of Khelat - - - - -	- - -	5,000	
Pertab Rao Goojur - - - - -	- - -	1,200	
Various Pensions and Allowances above 5,000 rupees and under 10,000 rupees per annum - - - - - }	- - -	5,948	
Pensions not exceeding 5,000 rupees per annum, including Commutations	- - -	39,462	
Enamdars and Surrinjdars - - - - -	- - -	386,109	
Sayer and Miscellaneous Compensations - - - - -	- - -	24,556	
Sultan Fudil Mahsin of Lahej - - - - -	- - -	1,294	
Allowances, &c., to the Ex-Ameers of Sind and others - - - - -	- - -	25,393	
Commutation of fractional parts of Enams - - - - -	- - -	11,260	
Cristna Rao Wittul - - - - -	- - -	2,202	
Dewasthan and Wurshasun Allowances - - - - -	- - -	149,506	
	TOTAL BOMBAY AND SIND - - -	£.	671,234
	TOTAL ALLOWANCES and ASSIGNMENTS out of the REVENUES in INDIA, &c. - - -	£.	1,712,003
IN ENGLAND.			
Payments as in Home Accounts - - - - -	- - -	- - -	33,167
	TOTAL ALLOWANCES and ASSIGNMENTS out of REVENUES, &c. - - -	£.	1,745,170

No. 25.—GENERAL ABSTRACT ACCOUNT of MISCELLANEOUS CHARGES, for the Year ended the 31st March 1867.

26.—MISCELLANEOUS.		£.	£.
GOVERNMENT OF INDIA—GENERAL AND POLITICAL:			
Allowances to Civil Servants out of employ, and to those qualifying for the Public Service		3,476	203,076
Loss by difference of Exchange, and discount on Supply Bills		158,584	
Assessments and Rates on Government Buildings		2,702	
Special Commissions of Inquiry		475	
Charges for remittance of Treasure		25,263	
Sundry Items		12,626	
Oude:			
Subsistence Allowance to Civil Servants out of employ, and to those qualifying for the Public Service		156	3,280
District Dāk Establishment and Contingencies		2,356	
Charges for remittance of Treasure		173	
Charges on account of Public Exhibitions		249	
Sundry Items		346	
Central Provinces:			
District Dāk Establishment and Contingencies		3,490	16,088
Discount on Supply Bills		966	
Rewards for Destruction of Wild Animals		5,815	
Sundry Items		5,817	
British Burmah:			
Charges for remittance of Treasure		1,244	3,186
Conservancy Assignments		440	
Rewards for Destruction of Wild Animals		44	
Charges on account of Public Exhibitions		500	
Sundry Items		958	
East and West Berar:			
District Dāk or Tappal Establishment, and Contingencies		480	7,465
Loss by difference of Exchange and discount on Supply Bills		6,519	
Sundry Items		466	
Eastern Settlements:			
Loss by difference of Exchange		738	1,939
Assessment and Rates on Government Buildings		825	
Sundry Items		376	
Bengal:			
Allowance to Civil Servants out of employ, and to those qualifying for the Public Service		399	368,053
Charges on account of Public Exhibitions		3,990	
Charges for remittance of Treasure		2,841	
Assessment and Rates on Government Buildings		5,272	
Donation to District Charitable Society, &c.		1,324	
Rewards for killing Wild Animals		1,248	
Bhootan Expedition Charges		807	
Famine Relief Charges		348,575	
Sundry Items		3,597	
Carried forward		£.	603,087

No. 25.—General Abstract Account of Miscellaneous Charges, for Year ended 31st March 1867—*continued.*

	£.	£.
Brought forward - - -	- -	603,087
26.—MISCELLANEOUS— <i>continued.</i>		
North Western Provinces :		
Subsistence Allowance to Civil Servants out of employ, and to those qualifying for the } Public Service - - - - -	233	
Endowed Gardens, Tea Nurseries and Plantations - - - - -	4,980	
Books and Publications purchased by Government - - - - -	885	
Discount on Supply Bills - - - - -	42	
Charges for remittance of Treasure - - - - -	1,837	
District Dāk Establishment and Contingencies - - - - -	5,995	
Charges on account of Public Exhibitions - - - - -	381	
Donations for Charitable purposes - - - - -	640	
Rewards for killing Wild Animals - - - - -	505	
Compensation for Losses sustained during the Mutiny - - - - -	4	
Sundry Items - - - - -	2,466	
		17,968
Punjab :		
District Dāk Establishment and Contingencies - - - - -	4,012	
Tea Nurseries and Plantations - - - - -	696	
Discount on Supply Bills - - - - -	494	
Charges for remittance of Treasure - - - - -	1,456	
Purchase and keep of Stallions - - - - -	1,313	
Rewards for killing Wild Animals - - - - -	2,268	
Charges on account of Public Exhibitions - - - - -	785	
Sundry Items - - - - -	3,157	
		14,181
Madras :		
Allowance to Civil Servants out of employ, and to those qualifying for the Public } Service - - - - -	2,846	
Rewards for killing Wild Animals - - - - -	1,966	
District Dāk or Tappal Establishment and Contingencies - - - - -	10,513	
Charges for remittance of Treasure - - - - -	10,445	
Loss by difference of Exchange - - - - -	5,517	
Purchase of Books and Publications - - - - -	884	
Donations for Charitable purposes - - - - -	38,731	
Assessment and Rates on Government Buildings - - - - -	1,898	
Sundry Items - - - - -	21,265	
		94,065
Bombay and Sind :		
Allowance to Civil Servants out of employ, and to those qualifying for the Public } Service - - - - -	2,313	
District Dāk Establishment and Contingencies - - - - -	7,075	
Charges for remittance of Treasure - - - - -	2,854	
Loss by difference of Exchange and Discount on Supply Bills - - - - -	1,172	
Conservancy Charges and Contribution to Municipal Funds - - - - -	183	
Cotton Experiments - - - - -	6,242	
Special Commissions of Inquiry - - - - -	1,078	
Rewards for killing Wild Animals - - - - -	1,468	
Donations for Charitable purposes - - - - -	2,158	
Government Stallion Charges - - - - -	1,207	
Sundry Items - - - - -	23,981	
		49,731
TOTAL MISCELLANEOUS in INDIA - - - £.		779,032
IN ENGLAND :		
Stores - - - - -		5,213
Other Payments as in Home Accounts - - - - -		177,272
TOTAL MISCELLANEOUS - - - £.		961,517

No. 26.—GENERAL ABSTRACT ACCOUNT of the CHARGES on Account of SUPER-
ANNUATION, RETIRED, and COMPASSIONATE ALLOWANCES, for the Year ended the
31st March 1867.

27.—SUPERANNUATION, RETIRED, AND COMPASSIONATE ALLOWANCES:		£.	£.
GOVERNMENT OF INDIA—GENERAL AND POLITICAL:			
Superannuation and Retired Allowances of the Revenue and other Public Departments -		15,575	
Compassionate Allowances - - - - -		14,818	
Gratuities - - - - -		3,617	
Donations to Service Funds - - - - -		56,562	90,572
Oudh:			
Superannuation and Retired Allowances of the Revenue and other Public Departments -		2,393	
Compassionate Allowances - - - - -		639	
Gratuities - - - - -		97	3,129
Central Provinces:			
Superannuation and Retired Allowances of the Revenue and other Public Departments -		11,811	
Compassionate Allowances - - - - -		48	
Gratuities - - - - -		289	12,148
British Burmah:			
Superannuation and Retired Allowances of the Revenue and other Public Departments -		2,104	
Gratuities - - - - -		196	2,300
East and West Berar:			
Superannuation and Retired Allowances of the Revenue and other Public Departments -		270	
Compassionate Allowances - - - - -		26	
Gratuities - - - - -		100	396
Eastern Settlements:			
Superannuation and Retired Allowances of the Revenue and other Public Departments -		1,522	1,522
Bengal:			
Superannuation and Retired Allowances of the Revenue and other Public Departments -		42,457	
Compassionate Allowances - - - - -		3,301	
Gratuities - - - - -		5,963	51,721
North Western Provinces:			
Superannuation and Retired Allowances of the Revenue and other Public Departments -		22,312	
Compassionate Allowances - - - - -		6,644	
Gratuities - - - - -		262	29,218
Punjab:			
Superannuation and Retired Allowances of the Revenue and other Public Departments -		10,198	
Compassionate Allowances - - - - -		4,935	
Gratuities - - - - -		1,055	16,188
Madras:			
Superannuation and Retired Allowances of the Revenue and other Public Departments -		39,166	
Compassionate Allowances - - - - -		9,743	
Gratuities - - - - -		3,481	
Donations to Service Funds - - - - -		159,997	212,387
Bombay and Sind:			
Superannuation and Retired Allowances of the Revenue and other Public Departments -		45,410	
Compassionate Allowances - - - - -		6,809	
Gratuities - - - - -		3,632	
Donations to Service Funds - - - - -		69,600	125,451
TOTAL SUPERANNUATION, RETIRED, AND COMPASSIONATE ALLOWANCES in INDIA - - - - -		- £.	545,032
IN ENGLAND:			
Payments as in Home Accounts - - - - -		-	221,440
TOTAL SUPERANNUATION, RETIRED, AND COMPASSIONATE ALLOWANCES - - - - -		- £.	766,472

No. 26 A.—GENERAL ABSTRACT ACCOUNT of the CHARGES in ENGLAND on account of CIVIL FURLOUGH and ABSENTEE ALLOWANCES, from 1st May 1866 to 31st March 1867.

	£.	s.	d.
BENGAL - - - - -	47,085	8	11
MADRAS - - - - -	14,297	1	11
BOMBAY - - - - -	17,922	13	3
£.	79,305	4	1

No. 27.—GENERAL ABSTRACT ACCOUNT of the ARMY CHARGES, for the Year ended the 31st March 1867.

A R M Y.				Government of India.	Madras.	Bombay.	
I.—EFFECTIVE SERVICES :				£.	£.	£.	£.
Army and Garrison Staff - - - - -	-	-	-	227,264	115,513	123,054	
Administrative Staff - - - - -	-	-	-	91,662	47,879	48,073	
Regimental Pay and Allowances - - - - -	-	-	-	3,612,018	1,442,684	1,240,204	
Commissariat - - - - -	-	-	-	1,429,635	586,103	549,990	
Stud and Remount - - - - -	-	-	-	166,777	30,750	7,458	
Clothing - - - - -	-	-	-	69,099	17,871	28,145	
Barrack - - - - -	-	-	-	193,214	46,743	77,085	
Martial Law - - - - -	-	-	-	16,766	12,856	8,586	
Medical - - - - -	-	-	-	201,936	96,383	94,744	
Ordnance - - - - -	-	-	-	195,002	107,298	117,559	
Ecclesiastical - - - - -	-	-	-	12,215	4,444	4,611	
Education - - - - -	-	-	-	35,652	2,019	9,104	
Sea Transport - - - - -	-	-	-	154,772	56,468	84,398	
Miscellaneous - - - - -	-	-	-	91,389	235,615	143,811	
Volunteer Corps - - - - -	-	-	-	1,472	2,701	20	
II.—NON-EFFECTIVE SERVICES :							
Rewards - - - - -	-	-	-	11,324	4,517	2,448	
Retired Officers - - - - -	-	-	-	5,283	9,372	2,013	
Pensions to Officers - - - - -	-	-	-	194,024	249,144	95,466	
Pensions to Widows and Orphans - - - - -	-	-	-	3,706	3,118	2,283	
Civil Pensions and Gratuities - - - - -	-	-	-	6,568	5,321	4,754	
£.				6,719,778	3,076,799	2,643,806	
TOTAL ARMY CHARGES IN INDIA - - - £.							12,440,383
IN ENGLAND:							
Stores - - - - -	-	-	-	-	-	-	556,062
Other Payments as in Home Accounts ; viz. :						£.	
Effective Services - - - - -	-	-	-	-	-	1,780,501	
Non-Effective Services - - - - -	-	-	-	-	-	1,048,845	
							2,829,346
TOTAL ARMY CHARGES - - - £.							15,825,791

No. 28.—GENERAL ABSTRACT ACCOUNT of the AMOUNT expended for BUILDINGS, ROADS, and other PUBLIC WORKS, for the Year ended the 31st March 1867.

PUBLIC WORKS.										Construction of Military Buildings and Fortifications.	Repairs.	TOTAL.	
MILITARY BUILDINGS.										£.	£.	£.	£.
Oude	-	-	-	-	-	-	-	-	-	56,972	7,556	64,528	
Central Provinces	-	-	-	-	-	-	-	-	-	38,537	6,785	45,322	
British Burmah	-	-	-	-	-	-	-	-	-	37,386	7,646	45,032	
East and West Berar	-	-	-	-	-	-	-	-	-	34,687	5,527	40,214	
Eastern Settlements	-	-	-	-	-	-	-	-	-	3,723	1,856	5,579	
Bengal	-	-	-	-	-	-	-	-	-	95,981	32,472	128,453	
North Western Provinces	-	-	-	-	-	-	-	-	-	177,024	41,248	218,272	
Punjab	-	-	-	-	-	-	-	-	-	262,036	41,105	303,141	
Madras	-	-	-	-	-	-	-	-	-	81,928	14,940	96,868	
Bombay, including Sind	-	-	-	-	-	-	-	-	-	492,952	40,919	533,871	
MINOR ADMINISTRATIONS:													
Coorg	-	-	-	-	-	-	-	-	-	-	8	8	
Central India	-	-	-	-	-	-	-	-	-	22,152	2,390	24,542	
Rajpootanah	-	-	-	-	-	-	-	-	-	25,350	3,826	29,176	
TOTAL MILITARY BUILDINGS - - - £.										1,328,728	206,278	- -	1,535,006
CIVIL ADMINISTRATION:										Construction of Civil Buildings in all Departments.	Repairs.	TOTAL.	
										£.	£.	£.	
Oude	-	-	-	-	-	-	-	-	-	33,964	1,892	35,856	
Central Provinces	-	-	-	-	-	-	-	-	-	61,411	3,777	65,188	
British Burmah	-	-	-	-	-	-	-	-	-	61,179	3,933	65,112	
East and West Berar	-	-	-	-	-	-	-	-	-	21,626	817	22,443	
Eastern Settlements	-	-	-	-	-	-	-	-	-	6,473	1,952	8,425	
Bengal	-	-	-	-	-	-	-	-	-	113,759	33,714	147,473	
North Western Provinces	-	-	-	-	-	-	-	-	-	75,427	12,333	87,760	
Punjab	-	-	-	-	-	-	-	-	-	35,716	10,438	46,154	
Madras	-	-	-	-	-	-	-	-	-	68,595	9,692	78,287	
Bombay, including Sind	-	-	-	-	-	-	-	-	-	155,348	28,353	183,701	
MINOR ADMINISTRATIONS:													
Coorg	-	-	-	-	-	-	-	-	-	1,365	99	1,464	
Central India	-	-	-	-	-	-	-	-	-	2,999	1,223	4,222	
Rajpootanah	-	-	-	-	-	-	-	-	-	3,994	474	4,468	
TOTAL CIVIL ADMINISTRATION - - - £.										641,856	108,697	- -	750,553
Carried forward - - - £.													2,285,559

No. 28.—General Abstract Account of the Amount expended for Buildings, &c., for Year ended 31 March 1867—*contd.*

	Construction of Roads, Bridges, Canals, Tanks, Embankments, &c.	Repairs.	TOTAL.	—
	£.	£.	£.	£.
Brought forward - - -	-	-	-	2,285,559
PUBLIC WORKS— <i>continued.</i>				
PUBLIC IMPROVEMENT:				
Oude - - - - -	34,140	9,291	43,431	
Central Provinces - - - - -	70,903	19,228	90,131	
British Burmah - - - - -	58,853	9,137	67,990	
East and West Berar - - - - -	25,499	3,269	28,768	
Eastern Settlements - - - - -	7,928	1,907	9,835	
Bengal - - - - -	240,638	97,366	338,004	
North Western Provinces - - - - -	99,408	134,268	233,676	
Punjab - - - - -	87,472	111,045	198,517	
Madras - - - - -	108,844	188,362	297,206	
Bombay, including Sind - - - - -	452,835	57,311	510,146	
MINOR ADMINISTRATIONS:				
Coorg - - - - -	4,018	3,296	7,314	
Central India - - - - -	19,599	10,089	29,688	
Rajpootanah - - - - -	4,460	57	4,517	
TOTAL PUBLIC IMPROVEMENT - - - £.	1,214,597	644,626	-	1,859,223
ESTABLISHMENT AND OTHER MISCELLANEOUS CHARGES:				
Oude - - - - -	-	-	25,024	
Central Provinces - - - - -	-	-	52,422	
British Burmah - - - - -	-	-	33,562	
East and West Berar - - - - -	-	-	15,989	
Eastern Settlements - - - - -	-	-	6,836	
Bengal - - - - -	-	-	144,203	
North Western Provinces - - - - -	-	-	138,388	
Punjab - - - - -	-	-	122,987	
Madras - - - - -	-	-	151,778	
Bombay, including Sind - - - - -	-	-	181,875	
MINOR ADMINISTRATIONS:				
Coorg - - - - -	-	-	2,884	
Central India - - - - -	-	-	12,057	
Rajpootanah - - - - -	-	-	9,037	
TOTAL ESTABLISHMENT, &c. - - - £.			-	897,042
TOOLS AND PLANT:				
Oude - - - - -	-	-	1,440	
Central Provinces - - - - -	-	-	2,715	
British Burmah - - - - -	-	-	2,121	
East and West Berar - - - - -	-	-	1,738	
Eastern Settlements - - - - -	-	-	459	
Bengal - - - - -	-	-	11,467	
North Western Provinces - - - - -	-	-	23,386	
Punjab - - - - -	-	-	34,411	
Madras - - - - -	-	-	6,689	
Bombay, including Sind - - - - -	-	-	16,029	
MINOR ADMINISTRATIONS:				
Coorg - - - - -	-	-	1,005	
Central India - - - - -	-	-	1,083	
Rajpootanah - - - - -	-	-	127	
TOTAL TOOLS and PLANT - - - £.			-	102,670
Carried forward - - - £.			-	5,144,494

No. 28.—General Abstract Account of the Amount expended for Buildings, &c., for Year ended 31 March 1867—*contd.*

	£.	£.	£.
Brought forward - - -	-	5,144,494	
PUBLIC WORKS—continued.			
UNCLASSIFIED CHARGES, BEING PAYMENTS TO CONTRACTORS:			
EXPENDITURE ON STOCK, PURCHASE OF MATERIALS, &c.			
Oude - - - - -	25,937		
Punjab - - - - -	7,321		
MINOR ADMINISTRATIONS:			
Central India - - - - -	11,536		
Rajpootana - - - - -	464		
		45,258	
Deduct—Decrease in Balances, <i>i.e.</i> , refunds from Contractors and value of Stores issued to Works and included in above Account, but paid for in previous years:		5,189,752	
Central Provinces - - - - -	5,991		
British Burmah - - - - -	18,284		
East and West Berar - - - - -	9,239		
Eastern Settlements - - - - -	1,431		
Bengal - - - - -	75,727		
North Western Provinces - - - - -	11,545		
Madras - - - - -	5,331		
Bombay, including Sind - - - - -	103,591		
MINOR ADMINISTRATIONS:			
Coorg - - - - -	304		
		231,443	
Oude :			4,958,309
Compensation for Lands taken for Railways - - - - -	-	19	
Central Provinces :			
Compensation for Lands taken for Railways - - - - -	19,150		
Miscellaneous - - - - -	2		
		19,152	
Bengal :			
Compensation for Lands taken for Railways and Irrigation and Canal Companies - - - - -	83,979		
Consulting Engineer for Railways and other Civil Establishments; Salaries, Establishments and Contingent Charges - - - - -	10,195		
Consulting Engineer for Irrigation and Canal Company and other Civil Establishments - - - - -	517		
		94,691	
North Western Provinces :			
Compensation for Lands taken for Railway - - - - -	-	3,620	
Punjab :			
Compensation for Lands taken for Railway - - - - -	21,697		
Consulting Engineer for Railways and other Civil Establishments; Salaries, Establishment and Contingencies - - - - -	7,504		
		29,201	
Madras :			
Compensation for Lands taken for Railway, Irrigation and Canal Companies - - - - -	38,001		
Consulting Engineer for Railways, &c.; Salaries, Establishment and Contingent Charges - - - - -	4,683		
Consulting Engineer for Irrigation and Canal Company and other Civil Establishments - - - - -	2,875		
		45,559	
Carried forward - - - £.		192,242	4,958,309

No. 28.—General Abstract Account of the Amount expended for Buildings, &c., for Year ended
31 March 1867—concluded.

	£.	£.	£.	£.
Brought forward - - -	-	-	192,242	4,958,309
PUBLIC WORKS—continued.				
Bombay and Sind :				
Compensation for Lands taken for Railways - - -	-	55,106		
Consulting Engineer for Railways; Salaries, Establishment and Contingent Charges - - - - -	-	12,126		
			67,232	
LOSS BY EXCHANGE ON RAILWAY TRANSACTIONS.				259,474
GOVERNMENT OF INDIA—GENERAL AND POLITICAL :				
Loss by difference of Exchange on the amount drawn in } India by the East Indian Railway Company - - - }	64,802			
Deduct—Gain on Capital and Net Traffic receipts -	130,646	Excess Gain.		
		65,844		
Loss by difference of Exchange on the amount drawn in } India on account of the Jubbulpore Line - - - }	-	38,618		
Loss by difference of Exchange on the amount drawn in } India by the Eastern Bengal Railway Company - - }	15,005			
Deduct—Gain on Capital and Net Traffic receipts -	8,013			
		6,992		
Loss by difference of Exchange on the amount drawn in } India by the South Eastern Railway Company - - }	2,519			
Deduct—Gain on Capital and Net Traffic receipts -	1,032			
		1,487	Excess Gain.	
			18,747	
Punjab :				
Loss by difference of Exchange on the amount drawn in } India by Punjab Railway Company - - - - }	-	60,928		
Deduct—Gain on Capital - - - - -	-	358		
			60,570	
Madras :				
Loss by difference of Exchange on advances made to Madras } Railway Company - - - - - }	17,288			
Deduct—Gain on Capital and Net Traffic receipts -	22,322	Excess Gain.		
		5,034		
Loss by difference of Exchange on advances made to the } Great Southern of India Railway Company - - - }	8,594			
Deduct—Gain on Capital and Net Traffic receipts -	2,990			
		5,604		
Bombay and Sind :				
Loss by difference of Exchange on advances made to the } Great Indian Peninsula Railway Company - - - }	89,817			
Deduct—Gain on Capital and Net Traffic receipts -	44,151			
		45,666		
Loss by difference of Exchange on advances made to the } Bombay, Baroda, and Central India Railway Company - }	27,716			
Deduct—Gain on Net Traffic receipts - - -	10,006			
		17,710		
Loss by difference of Exchange on advances made for the } Sind Railway, Indus Flotilla, and Indus Valley Survey - }	6,565			
Deduct—Gain on Net Traffic receipts - - -	653			
		5,912		
			69,288	
				111,681
TOTAL CHARGES ON ACCOUNT OF BUILDINGS, ROADS, &c. in INDIA - - - £.				5,329,464
IN ENGLAND :				
Stores - - - - -				66,338
Other payments as in Home Accounts - - - - -				797
TOTAL CHARGES ON ACCOUNT OF BUILDINGS, ROADS, &c. - - - £.				5,396,599

No. 29.—GENERAL ABSTRACT ACCOUNT of the GUARANTEED INTEREST on the CAPITAL of RAILWAY and other COMPANIES, for the Year ended the 31st March 1867.

	£.	£.	£.
GOVERNMENT OF INDIA :			
East Indian Railway Company - - - - -	11,991		
East Indian Railway Company, Jubbulpore Line - - - - -	676		
Eastern Bengal Railway Company - - - - -	461		
Calcutta and South Eastern Railway Company - - - - -	567	13,695	
P U N J A B :			
Punjab Railway Company - - - - -	211		
Punjab Railway (Delhi Branch) - - - - -	135	346	
B O M B A Y :			
Great Indian Peninsula Railway Company - - - - -	19,038		
Bombay, Baroda, and Central India Railway Company - - - - -	1,083		
Sind Railway Company - - - - -	1,085	21,206	
E N G L A N D :			
Bombay, Baroda, and Central India Railway Company - - - - -		285,785	
Calcutta and South Eastern Railway Company - - - - -		23,473	
Eastern Bengal Railway Company - - - - -		74,321	
East Indian Railway Company - - - - -		1,212,158	
Great Indian Peninsula Railway Company - - - - -		700,232	
Great Southern of India Railway Company - - - - -		46,339	
Madras Railway Company - - - - -		388,459	
Sind Railway Company (including Indus Flotilla, and Punjab and Delhi Railways) -		265,073	
Madras Irrigation and Canal Company - - - - -		47,838	
			3,043,678
			3,078,925
Deduct,—Traffic Receipts on account of Indian Railways (Account No. 33) - - -		2,428,968	
Revenue Receipts, Irrigation and Canal Company (Account No. 33) - - -		791	
		2,429,759	
Less,—Surplus Net Traffic Earnings made over to Railway Companies (Account No. 33)		81,883	
			2,347,876
TOTAL - - - £.			731,049

No. 30.—GENERAL ABSTRACT ACCOUNT of the Sums paid and payable for Interest on India Debt, in the Year ended the 31st March 1867, showing also the Amount of the Debt at that Date.

AMOUNT of the Interest paid in the Year 1866-67.				The AMOUNT of Interest payable on the Public Debts outstanding at the several Presidencies of India, on the 31st March 1867, was as follows:—			
India and Bengal:				India and Bengal:			
Government of India, including Eastern Settlements:				REGISTERED DEBT:			
Interest on Loans	£.	£.	£.	Loans	AMOUNT of DEBT.	RATE of INTEREST.	ANNUAL AMOUNT of INTEREST.
Ditto - on Treasury Bills	-	2,499,257	-	Ditto	360,724	6 per Cent.	£. 21,643
Ditto - on Treasury Notes	-	-	23	Ditto	10,665,130	5½ per Cent.	586,682
Ditto - on Deposits on account of Service Funds, Military Savings Bank, &c.	-	-	48,276	Ditto	20,875,053	5 per Cent.	1,043,752
		199,868	151,569	Ditto	371,210	4½ per Cent.	16,705
				Ditto	31,260,986	4 per Cent.	1,250,439
				Ditto	80,870	3½ per Cent.	2,830
				Ditto	763	10 per Cent.	76
				Loan transferred from Fort Marlborough	1,234,480	6, 5, 4, & 3½ p' Cent.	49,468
				Treasury Notes	9,500	{ 3 and 2½ p' Cent. per Diem	431
				Treasury Bills	405,000	4 per Cent.	16,200
				Loan on account of the Mysore Princes	2,554,644	6 and 4½ per Cent.	152,855
				Civil, Medical, &c. Funds	181,479	8, 4, & 3½ p' Cent.	6,903
				Miscellaneous Deposits	67,999,839	-	3,147,904
				Oude:	11,550	5 per Cent.	578
				Treasury Notes	11,177	4½ per Cent.	503
				Police Superannuation Fund	22,727	-	1,031
				Central Provinces:	16,913	4½ per Cent.	761
				Police Superannuation Fund	6,690	-	-
				British Burmah:	13,513	5 per Cent.	334
				Treasury Notes	20,203	4½ per Cent.	608
				Police Superannuation Fund	3,201	4½ per Cent.	942
				East and West Berar:	-	-	144
				Police Superannuation Fund	-	-	-
				North Western Provinces:	-	-	-
				Miscellaneous Deposits	20,000	4 per Cent.	800
				Treasury Notes	41,650	5 per Cent.	2,082
				Police Superannuation Fund	34,824	4½ per Cent.	1,567
				Punjab:	96,474	-	4,449
				Treasury Notes	14,900	5 per Cent.	745
				Police Superannuation Fund	20,027	4½ per Cent.	901
				Madras:	34,927	-	1,646
				Loans	15,400	8 per Cent.	1,232
				Ditto	8,050	6 per Cent.	483
				Civil, Military, and Medical Funds	1,106,484	6, 5, & 4½ p' Cent.	60,904
				Miscellaneous Deposits	152,213	6, 5, & 4 p' Cent.	6,172
				Treasury Notes	579,132	5 & 4 per Cent.	23,475
				Bombay and Sind:	1,861,279	-	92,266
				Civil Annuity (Indian Navy)	2,016,721	8, 6, 5, 4½, & 4 p' Cent.	145,155
				Provident, Military, and other Service Funds	445,571	6, 5, 4, & 3½ p' Cent.	18,579
				Miscellaneous Deposits	8,750	5, 4, & 3½ per Cent.	436
				Treasury Notes	210	3 pie p' Cent. p' Diem	12
				Treasury Bills	2,471,252	-	164,182
				TOTAL	*72,526,815	-	3,413,375
					£.	£.	£.
					2,699,125		
					5,075		
					840		
					626		
					783		
					113		
					4,821		
					1,433		
					94,024		
					112,708		
					2,919,546		
					33,490		
					2,953,038		
					£.	£.	£.
					23,446		
					63,568		
					7,010		
					706		
					112,002		
					TOTAL in INDIA		
					IN ENGLAND:		
					Dividends on India 4 per Cent. Transfer Loan		
					TOTAL		

* The balances of the books for 1865-66 have been taken as the basis of these figures, differences will appear on a comparison with the Accounts for 1865-66 in which the amounts were posted from separate Debt Statements, and not from the books, the books for 1865-66 not then being all ready.

No. 31.—GENERAL ABSTRACT ACCOUNT of the SUMS paid and payable for Interest on the HOME DEBT of INDIA, for the Year ended the 31st March 1867; showing also the AMOUNT of the DEBT at that Date bearing Interest.

	Amount of Interest paid in the Year ended 31st March 1867.	Amount of Debt, 31st March 1867.	Rate of Interest.	Annual Amount of Interest Payable.
East India Bonds	£. 201,683	£. 5,000,000	5 per Cent. - - -	£. 250,000
East India Debentures	222,235	4,997,000	5 per Cent. - - -	249,850
India Five per Cent. Stock	833,505	17,100,000	5 per Cent. - - -	855,000
India Four per Cent. Stock	48,820	2,441,000	4 per Cent. - - -	97,640
	1,306,233	29,538,000	- - - - -	1,452,490
East India Stock	629,970	6,000,000	10½ per Cent. - - -	630,000
	1,936,203	35,538,000	- - - - -	2,082,490

No. 32.—GENERAL ABSTRACT ACCOUNT of the RECEIPTS and DISBURSEMENTS of the several PRESIDENCIES and PROVINCES of INDIA, for the Year ended 31st March 1867, showing the Local Surplus or Deficit at each Presidency or Province.

GOVERNMENT OF INDIA.										Bombay, including Sind.	Madras.	Punjab.	North Western Provinces.	Bengal.	TOTAL.		
NET REVENUES AND RECEIPTS.		Number of Account.	General and Political.	Outde.	Central Provinces.	British Burmah.	East and West Berar.	Eastern Settlements.									
Per Account	-	1	£. 752,037	-	-	-	-	£.	£.	-	-	-	-	-	-	-	-
Ditto	-	2	-	981,763	-	-	-	-	-	-	-	-	-	-	-	-	-
Ditto	-	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ditto	-	4	-	-	709,745	797,954	464,122	-	-	-	-	-	-	-	-	-	-
Ditto	-	5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ditto	-	6	-	-	-	-	-	164,945	-	-	-	-	-	-	-	-	-
Ditto	-	7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ditto	-	8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ditto	-	9	-	-	-	-	-	-	-	-	-	2,863,216	-	-	-	-	-
Ditto	-	10	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ditto	-	11	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL NET RECEIPTS			752,037	981,763	709,745	797,954	464,122	164,945	11,685,190	4,776,912	5,329,133	2,863,216	4,776,912	11,685,190	6,181,783	84,766,800	-
EXPENDITURE :																	
Interest on Funded and Unfunded Debt	-	-	2,460,280	-	-	-	-	-	-	-	-	-	-	-	-	-	2,460,280
Interest on Service Funds and other Accounts	-	-	159,535	-	-	-	-	-	-	-	-	-	-	-	-	-	159,535
Administration and Public Departments	-	-	328,489	-	-	-	-	-	-	-	-	-	-	-	-	-	328,489
Law and Justice	-	-	138,627	-	-	-	-	-	-	-	-	-	-	-	-	-	138,627
Police	-	-	9,116	-	-	-	-	-	-	-	-	-	-	-	-	-	9,116
Marine	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Education, Science, and Art	-	-	126,412	-	-	-	-	-	-	-	-	-	-	-	-	-	126,412
Public Health	-	-	2,505	-	-	-	-	-	-	-	-	-	-	-	-	-	2,505
Medical Services	-	-	191	-	-	-	-	-	-	-	-	-	-	-	-	-	191
Political Services	-	-	24,884	-	-	-	-	-	-	-	-	-	-	-	-	-	24,884
Political Agencies and other Foreign Services	-	-	89,327	-	-	-	-	-	-	-	-	-	-	-	-	-	89,327
Miscellaneous	-	-	266,076	-	-	-	-	-	-	-	-	-	-	-	-	-	266,076
Superannuation, Retired, and Compassionate Allowances	-	-	90,572	-	-	-	-	-	-	-	-	-	-	-	-	-	90,572
Army	-	-	6,710,778	-	-	-	-	-	-	-	-	-	-	-	-	-	6,710,778
Public Works	-	-	767,523	-	-	-	-	-	-	-	-	-	-	-	-	-	767,523
TOTAL EXPENDITURE			10,517,504	445,426	575,205	579,049	176,901	100,972	3,978,835	1,772,951	5,250,854	1,503,347	2,003,948	8,006,355	332,253	29,818,010	-
Local Surplus, carried to Account No. 33	-	-	-	536,837	194,540	218,945	288,118	63,073	8,006,355	2,003,948	78,279	1,353,869	-	-	-	4,918,160	-
Local Deficit, carried to Account No. 33	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EXCESS OF EXPENDITURE OVER INCOME																	
Local Surplus brought down	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	£. 4,918,160
Net Expenditure in England	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	£. 6,704,602
Net Guaranteed Interest on Railway Capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	731,049
																	7,435,651
																	£. 2,517,481

No. 33.—AN ACCOUNT of the Aggregate of BALANCES of PUBLIC MONEY in the Treasuries of INDIA, on the 30th April 1866; the AMOUNT of DEBT incurred and discharged during the Year 1866-67; including the AMOUNT of ADVANCES and REPAYMENTS on various Accounts, the SUPPLIES to and from LONDON, and between the several Presidencies and Provinces; and the TOTAL BALANCE in the Indian Treasuries on the 31st March 1867.

R E C E I P T S.

G O V E R N M E N T O F I N D I A.												
General and Political.	Oude.	Central Provinces.	British Burmah.	East and West Berar.	Eastern Settlements.	Bengal.	North Western Provinces.	Punjab.	Madras.	Bombay, including Sind.	TOTAL.	
£.	£.	£.	£.	£.	£.	£.	£.	£.	£.	£.	£.	
2,083,332	314,124	346,768	324,404	564,339	30,006	1,302,174	1,553,875	855,900	2,504,227	3,892,538	13,771,025	
DEBT Incurred:												
925,518	-	-	-	-	-	-	-	-	-	-	925,518	
103,767	-	-	5,190	-	-	-	-	-	46,100	-	215,057	
406,468	3,689	8,604	3,756	852	5,997	10,844	11,652	6,992	379,904	269,814	1,192,682	
414,579	204,442	48,347	67,802	13,253	10,597	1,765,181	673,505	474,925	1,126,718	818,027	5,047,390	
-	-	11,755	-	-	-	15,102	-	745	-	1,552	29,154	
-	-	169,483	-	-	-	645,758	746,294	323,969	271,848	954,031	3,595,242	
64,725	181,282	168,204	30,675	12,667	2,150	84,591	82,697	85,819	45,880	14,020	580,083	
72,006	47,127	51,851	68,114	110,312	1,254	748,780	74,141	97,737	491,597	557,593	2,560,124	
395,767	29,169	55,680	-	-	-	-	-	-	177	18	554	
364	-	-	-	-	-	-	-	-	-	-	-	
Price Money	126,522	40,614	-	3,788	-	58,632	-	62,283	16,488	724,652	1,032,689	
Local Remittances	-	-	-	-	-	-	-	-	-	-	-	
TOTAL DEBT Incurred	£. 2,563,794	£. 542,231	£. 380,035	£. 835,020	£. 271,020	£. 19,998	£. 1,588,289	£. 1,052,470	£. 2,808,282	£. 3,889,702	£. 15,728,979	
SUPPLIES from London:												
Bills on the Secretary of State for India for Interest of Indian Debt	1,027	-	-	-	-	-	-	-	-	-	1,027	
Other Bills on the Secretary of State for India	28,133	-	-	-	-	-	-	-	2,880	27,084	58,647	
Advances made in England, repaid	386,127	-	70	-	-	823	-	-	243,091	155,057	785,173	
Miscellaneous, including Credits to Her Majesty's Government	242,222	346	760	7,964	27	6,950	539	347	45,385	68,665	873,205	
Invoice Value of Copper	63,682	-	-	-	-	-	-	-	46,062	16,672	126,416	
Revenue Receipts, Irrigation and Canal Company	-	-	-	-	-	-	-	-	791	-	791	
Traffic Receipts on account of Indian Railways	1,520,569	-	-	-	-	-	-	-	278,430	623,712	2,428,968	
Railway Capital	7,041	-	-	-	-	-	-	-	-	7,076	18,052	
Capital Receipts, Irrigation and Canal Company	-	-	-	-	-	-	-	-	387	-	387	
TOTAL SUPPLIES from LONDON - £.	2,257,801	346	760	8,034	27	7,778	539	1,339	616,976	898,866	3,792,686	
ACCOUNTS Current between the Presidencies:												
Bills drawn, Remittances of Treasure, and Advances and Disbursements (Excess Credits to)	12,553,734	-	-	-	-	-	-	-	3,165	257,994	12,814,893	
Excess of Income over Expenditure (Account No. 32)	-	536,387	194,540	218,945	288,118	63,973	8,603,355	1,353,869	78,279	339,263	14,663,627	
TOTAL	£. 19,457,661	£. 1,893,688	£. 922,041	£. 889,403	£. 1,123,504	£. 118,977	£. 6,146,651	£. 3,263,778	£. 5,600,929	£. 8,638,363	£. 60,791,490	

P A Y M E N T S.

GOVERNMENT OF INDIA.										North Western Provinces.	Punjab.	Madras.	Bombay, including Sind.	TOTAL.
General and Political.	Oude.	Central Provinces.	British Burmah.	East and West Berar.	Eastern Settlements.	Bengal.								
£.	£.	£.	£.	£.	£.	£.	£.	£.	£.	£.	£.	£.	£.	£.
DEBT DISCHARGED:														
Loans	328,065	-	-	-	-	-	-	-	-	-	-	-	-	328,065
Treasury Notes	118,780	-	-	-	-	-	-	-	-	-	2,650	150	-	116,580
Treasury Bills	130	-	-	-	-	-	-	-	-	-	-	-	-	130
Bills outstanding	23,005	-	-	-	-	-	-	-	-	-	47,747	17,428	-	88,180
Service Funds	622,323	387	248	47	-	6,013	1,550	512	319,168	210,373	786,089	786,089	-	1,161,172
Deposits	408,834	219,120	78,773	55,451	22,671	74,562	1,683,477	470,182	1,168,166	5,083,166	-	-	-	5,083,166
Investment of Sale Proceeds of Waste Lands	-	-	-	214	-	-	36,640	10,176	-	-	-	299	-	53,876
Local Funds	325,999	129,568	175,254	128,475	135,822	59	547,110	316,470	244,674	4,228,035	-	1,500,766	-	4,228,035
Miscellaneous	80,734	47,839	52,467	25,744	12,344	1,987	82,818	95,568	166,312	712,314	-	72,977	-	712,314
Advances recoverable	505,266	35,013	63,676	66,782	528,450	2,070	817,554	93,268	321,135	3,009,913	-	506,118	-	3,009,913
Prize Money	12,208	-	-	-	-	-	-	-	543	15,915	-	3,164	-	15,915
Local Remittances	328,655	-	-	5,052	-	-	-	-	-	-	-	-	-	328,655
TOTAL DEBT DISCHARGED - £.	2,749,019	432,525	371,965	281,765	697,287	87,367	3,169,158	986,176	2,265,405	3,097,374	-	-	-	15,700,363
SUPPLIES TO LONDON:														
Bills drawn by the Secretary of State for India discharged	3,706,068	-	-	-	-	-	-	-	-	-	167,712	1,689,310	-	5,503,090
Bills on Her Majesty's Government transmitted	84,890	-	-	-	-	-	-	-	-	-	-	-	-	84,890
Specific Remittances to the Secretary of State for India	725,927	-	-	-	-	-	-	-	-	-	199,974	-	-	925,901
Payments to the French Bank and other Mercantile Firms at Calcutta	402,000	-	-	-	-	-	-	-	-	-	-	-	-	402,000
Supplies to Her Majesty's Government, repayable in England	253,600	-	-	-	-	-	-	-	-	-	-	-	-	253,600
Miscellaneous	14,078	-	50	246	-	-	45	-	-	-	30,885	141,223	-	186,227
Payments on account of the Irrigation and Canal Company	-	-	-	-	-	-	-	-	-	-	23,476	-	-	23,476
Surplus Net Traffic Earnings made over to Railway Companies	54,000	-	-	-	-	-	-	-	-	-	-	27,883	-	81,883
Payments on account of Indian Railways, under Deeds of Contract with the respective Railway Companies	1,830,385	-	-	-	-	-	-	687,468	284,697	1,865,079	-	-	-	3,617,629
TOTAL SUPPLIES TO LONDON - £.	6,570,948	-	50	246	-	-	45	687,468	706,744	3,223,495	-	-	-	11,168,996
ACCOUNTS CURRENT BETWEEN THE PRESIDENCIES:														
Bills paid, Remittances of Treasure, and Advances and Disbursements (Excess Debits to)	-	623,299	139,247	328,313	426,217	26,610	7,884,572	2,991,556	589,106	-	-	-	-	13,009,010
Excess of Expenditure over Income (Account No. 32)	9,705,467	-	-	-	-	-	-	-	-	-	-	-	-	9,705,467
Cash Balance in the Indian Treasuries on the 31st March 1867 -	372,227	337,214	410,779	275,079	-	-	2,191,370	1,502,173	1,020,938	2,628,780	2,317,494	-	-	11,027,051
£.	10,457,661	1,393,038	922,041	886,403	1,123,504	113,977	13,245,145	6,146,651	3,263,778	5,600,929	8,638,363	-	-	60,791,400

No. 34.--GENERAL ABSTRACT ACCOUNT of PAYMENTS on Account of INDIAN RAILWAYS,
deducting Traffic and other Receipts.

	Amount Drawn in India.	Deduct Capital Received in India.	Net Amount Drawn in India.	TOTAL.	TOTAL of India.
GOVERNMENT OF INDIA :	£.	£.	£.	£.	£.
East Indian Railway, Extension Line - -	700,835	5,540	695,295		
East Indian Railway, Jubbulpore Line - -	424,126	-	424,126		
Eastern Bengal Railway - - -	164,587	1,501	163,086		
Calcutta and South Eastern Railway - -	27,142	-	27,142		
Interest on Railway Capital, as shown in } Account, No. 29 - - - - - }	-	-	13,695		
			1,323,344		
Surplus Railway Net Traffic Earnings made } over to the East India Railway Company - }	-	-	54,000		
			1,377,344		
Deduct,—					
Net Traffic Earnings of the East Indian } Railway - - - - - }	-	1,431,573			
Net Traffic Earnings of the Eastern } Bengal Railway - - - - - }	-	86,644			
Net Traffic Earnings of the Calcutta and } South Eastern Railway - - - - }	-	11,352			
			1,529,569	Excess Receipts 152,225	
P U N J A B :					
Punjab Railway - - - - -	117,289	1,205	116,084		
Punjab Railway (Delhi Branch) - - -	549,833	2,730	547,103		
Excess of Working Charges over Traffic } Earnings of the Punjab Railway - - }	-	-	2,743		
			665,930		
Interest on Railway Capital - - -	-	-	346	666,276	
M A D R A S :					
Madras Railway (South-west Line) - -	149,056	-	149,056		
Madras Railway (North-west Line) - -	41,108	-	41,108		
Great Southern of India Railway - -	94,532	-	94,532		
			284,696		
Deduct,—					
Net Traffic Earnings of the Madras Rail- } way (South-west Line) - - - - }	-	200,180			
Net Traffic Earnings of the Madras Rail- } way (North-west Line) - - - - }	-	45,362			
Net Traffic Earnings of the Great Southern } of India Railway - - - - - }	-	32,888			
			278,430	6,266	
B O M B A Y A N D S I N D :					
Great Indian Peninsula Railway - - -	968,951	7,074	961,877		
Bombay, Baroda, and Central India Railway	303,788	2	303,786		
Sind Railway and Indus Steam Flotilla -	68,772	-	68,772		
			1,334,435		
Deduct,—					
Net Traffic Earnings of the Great Indian } Peninsula Railway - - - - - }	-	506,474			
Net Traffic Earnings of the Bombay, } Baroda, and Central India Railway - }	-	110,058			
Net Traffic Earnings of the Sind Railway } and Indus Steam Flotilla - - - }	-	7,181			
		623,713			
Less,—Surplus Railway Net Traffic Earn- } ings made over to the Great Indian } Peninsular Railway Company - - }	-	27,883	595,830		
			738,605		
Insurance and Contingency Fund of the Indus } Steam Flotilla - - - - - }	-	-	2,362		
Interest on Railway Capital, as shown in } Account No. 29 - - - - - }	-	-	21,206		
			762,173		
TOTAL Net Payments to the Railway Companies in India				£.	1,282,490

No. 35.—GENERAL ABSTRACT ACCOUNT of the CHARGES in ENGLAND for TRANSPORT of
Troops, in the Year ended the 31st March 1867.

	£.	s.	d.
Proportion paid in England of the Passage-money of Officers and Troops to India -	112,574	10	11
Preserved Provisions, Grocery, Bedding, and other Supplies for the use of the Troops } on the Voyage outward, &c. - - - - - }	10,107	8	1
Proportion paid in England of the Passage-money of Officers and Troops homeward -	147,911	4	8
Medical Attendance upon Troops on the Homeward Voyage - - - - -	1,063	13	8
Expenses connected with the Examination of Troop Ships, and the Embarkation of Troops } proceeding to India - - - - - }	1,214	2	8
Miscellaneous - - - - -	30	7	-
	£.	272,901	7 -
Receipts in Reduction - - - - -	£.	693	14 7
	£.	272,207	12 5

Fort William,
Office of Comptroller General of Accounts, }
February 1868.

E. F. Harrison,
Comptroller General of Accounts.
Thomas Peachey,
Deputy Comptroller General of Accounts.

India Office, }
9 May 1868.

William G. Goodliffe,
Accountant General.

PART II.

ESTIMATE OF REVENUE, EXPENDITURE,
AND CASH BALANCES,

1867-68 ;

AND A COMPARISON WITH THE ACTUAL ACCOUNT OF 1866-67.

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ESTIMATE OF REVENUE, EXPENDITURE,

AND CASH BALANCES,

1867-68.

No. I.—AN ESTIMATED ACCOUNT of the GROSS REVENUES of INDIA for the Year 1867–68, with several Government Treasuries, and the Rates per Cent. for which the Gross Receipts

REVENUES AND RECEIPTS.	1.	2.	3.	CHARGES IN INDIA	
	GROSS RECEIPTS.	Repayments. — Allowances, Refunds, and Drawbacks.	NET RECEIPTS within the Year, after deducting Repayments.	4. Charges of Collection.	5. Allowances and Assignments under Treaties and Engagements.
LAND REVENUE, &c.	£.	£.	£.	£.	£.
Land Revenue - - - - -	20,103,600	45,158	20,058,442	1,935,600	- - -
Tributes and Contributions from Native States - - - - -	698,400	- - -	698,400	—	- - -
TOTAL Land Revenue, &c. - £.	20,802,000	45,158	20,756,842	1,935,600	2,062,500
Forest - - - - -	412,900	1,410	411,490	280,600	- - -
Abkaree (Excise) - - - - -	2,252,800	4,195	2,248,605	251,500	- - -
£.	23,467,700	- - -	23,416,937	- - -	- - -
License Tax - - - - -	658,000	7,200	650,800	32,900	- - -
Customs - - - - -	2,545,200	77,635	2,467,565	209,000	- - -
Salt - - - - -	6,024,300	40,150	5,984,150	353,300	- - -
Opium - - - - -	8,814,200	- - -	8,814,200	1,863,200	- - -
Stamps - - - - -	2,393,900	37,010	2,356,890	90,800	- - -
Mint - - - - -	237,300	- - -	237,300	118,400	- - -
Post Office - - - - -	652,300	63,200	589,100	486,600	- - -
Telegraph - - - - -	272,000	} - - -	298,916	527,800	- - -
Ditto - - - In England	26,916				
Law and Justice - - - - -	734,400	7,289	727,111	- - -	- - -
Police - - - - -	261,700	- - -	261,700	- - -	- - -
Marine - - - - -	259,200	7,000	252,200	- - -	- - -
Education - - - - -	73,400	- - -	73,400	- - -	- - -
Interest - - - - -	227,600	- - -	227,600	- - -	- - -
Miscellaneous - - - - -	438,800	} 51,453	448,799	- - -	- - -
Ditto - - - In England	61,452				
Army—Miscellaneous - - - - -	719,000	} - - -	735,401	- - -	- - -
Ditto - - - In England	16,401				
Public Works—Miscellaneous - - -	479,500	- - -	479,500	- - -	- - -
GRAND TOTAL - - £.	48,363,269	341,700	48,021,569	6,149,700	2,062,500

the CHARGES of COLLECTION, and other PAYMENTS out of those REVENUES, the NET RECEIPTS into the were Collected, converted into Sterling Money, at the Rate of Two Shillings the Rupee.

AGAINST INCOME.		CHARGES IN ENGLAND AGAINST INCOME.		10.	11.	12.	
6.	7.	8.	9.	TOTAL CHARGES against INCOME.	NET RECEIPTS.	Rate per Cent. for which the Gross Receipt was Collected, in India.	
Allowances to District and Village Officers, &c.	TOTAL CHARGES IN INDIA against INCOME.	Stores.	Other Charges.				
£.	£.	£.	£.	£.	£.	£.	
- - -	- - -	- - -	- - -	- - -	- - -	9.621	
398,200	4,396,300	- - -	19,879	4,416,179	16,340,663	9.305	
- - -	280,600	- - -	- - -	280,600	130,890	67.958	
- - -	251,500	- - -	- - -	251,500	1,997,105	Including Cost of Abkaree Opium. 11.164	Excluding Cost of Abkaree Opium. 4.179
- - -	- - -	- - -	- - -	4,948,279	18,468,658		
- - -	32,900	- - -	- - -	32,900	617,900	5	
- - -	209,000	- - -	- - -	209,000	2,258,565	8.211	
- - -	353,300	- - -	- - -	353,300	5,630,850	Including Cost of Salt and Opium. 5.864	Excluding Cost of Salt and Opium. 4.016
- - -	1,863,200	- - -	- - -	1,863,200	6,951,000	21.139	1.191
- - -	90,800	27,523	- - -	118,323	2,238,567	4.448	
- - -	118,400	52,946	- - -	171,346	65,954	67.622	
- - -	486,600	9,770	46,979	543,349	45,751	76.434	
- - -	527,800	90,997	27,137	645,934	{ Excess charge } 347,018	229.265	
- - -	- - -	- - -	- - -	- - -	727,111		
- - -	- - -	- - -	- - -	- - -	261,700		
- - -	- - -	- - -	- - -	- - -	252,200		
- - -	- - -	- - -	- - -	- - -	73,400		
- - -	- - -	- - -	- - -	- - -	227,600		
- - -	- - -	- - -	- - -	- - -	448,799		
- - -	- - -	- - -	- - -	- - -	735,401		
- - -	- - -	- - -	- - -	- - -	479,500		
398,200	8,610,400	181,236	93,995	8,885,631	39,135,938		

No. II.—AN ESTIMATED ACCOUNT of the TOTAL INCOME of the Revenues of INDIA in the Year ending 31st March 1868; together with an Account of the PUBLIC EXPENDITURE, including REPAYMENTS, ALLOWANCES, and DRAWBACKS, and ALLOWANCES and ASSIGNMENTS under Treaties and Engagements, and other PAYMENTS made out of the REVENUES, but exclusive of the Sums applied to the Reduction of Debt.

HEADS OF REVENUE AND RECEIPTS.	GROSS RECEIPTS, as stated in Column I of the Account of Income, No. I.	Number of Account.	EXPENDITURE.	IN INDIA.	IN ENGLAND.		TOTAL.
					Stores.	Other Charges.	
				£.	£.	£.	£.
IN INDIA.		I.	Repayments, Allowances, Refunds, and Drawbacks -	341,700	-	-	341,700
			PAYMENTS in realization of the REVENUE:				
Land Revenue, including Tributes and Contributions from Native States, Forest and Abkaree Revenues, &c.)	23,467,700		Land Revenue, &c.	2,467,700	-	-	2,467,700
License Tax	658,000		License Taxes	32,900	-	-	32,900
Customs	2,543,200		Customs	209,000	-	-	209,000
Salt	6,024,300		Salt	353,300	-	-	353,300
Opium	8,814,200		Opium	1,863,200	-	-	1,863,200
Stamps	2,393,900		Stamps	90,800	27,523	-	118,323
Mint	237,300		Mint	118,400	52,946	-	171,346
Post Office	652,300		Post Office	486,600	9,770	46,979	543,349
Telegraph (includes England, 26,916 L.)	298,916		Telegraph	527,800	90,997	27,137	645,934
Law and Justice	734,400		Allowances and Assignments under Treaties and Engagements	2,062,500	-	19,879	2,082,379
Police	361,700		Allowances to District and Village Officers, &c.	398,200	-	-	398,200
Marine	259,200		Total of the direct Claims and Demands upon the Revenues, including Charges of Collection and Cost of Salt and Opium	8,952,100	181,236	93,995	9,227,331
Education	73,400		Charges, including Interest on Debt and Public Works Ordinary	29,556,600	970,123	5,711,692	36,238,415
Interest	227,600		Guaranteed Interest on the Capital of Railway and other Companies, in India and in England, deducting Net Traffic Receipts	-	-	1,242,400	1,242,400
Miscellaneous (includes England, 61,452 L.)	500,232		Excess of Income over Expenditure, excluding Public Works Extraordinary	£.	1,151,359	7,048,087	46,708,146
Army—Miscellaneous (includes England, 16,401 L.)	735,401			38,508,700	-	-	38,508,700
Public Works—Miscellaneous	479,500			-	-	-	-
	48,363,269			-	-	-	-
Excess of Expenditure over Income, including Public Works Extraordinary (per Account No. II.)	1,106,077		Public Works Extraordinary	2,761,200	-	-	2,761,200
				41,269,900	1,151,359	7,048,087	49,469,346
	49,469,346						

No. IV.--ABSTRACT ACCOUNT of the Aggregate of ESTIMATED BALANCES of CASH in the TREASURIES of INDIA, on the 31st March 1867; the Amount of DEBT estimated to be incurred and discharged during the Year 1867-68; the Amount of ADVANCES and REPAYMENTS on various Accounts; the SUPPLIES to and from LONDON; the BALANCE of SUPPLIES between the several PRESIDENCIES and PROVINCES on unadjusted Accounts, and the TOTAL ESTIMATED BALANCE in the Indian Treasuries on the 31st March 1868.

No. of Account.	£.	No. of Account.	DEBT DISCHARGED:	£.	£.
11	Aggregate of Balances in the Treasuries of India on the 31st March 1867	11	Treasury Notes - - - - -	980,200	
			Local Funds - - - - -	103,596	
			Miscellaneous - - - - -	103,802	
			Advances, less Repayments - - - - -	24,760	
			Prize Money to be discharged - - - - -	513,550	
			Local Remittances - - - - -	130,821	1,856,729
			SUPPLIES TO LONDON:		
			Remittances and Bills drawn by the Secretary of State discharged, Advances to Railway and other Companies, and Miscellaneous Payments on account of London - - - - -	12,698,062	
			Less,—Bills drawn on England, Payments in England for Interest on India Loan Property, Receipts in repayment of Advances made in England to Service Funds, Net Traffic Receipts of Railways, &c. - - - - -	4,729,404	7,968,658
			Balance of Supplies between the different Presidencies and Provinces on unadjusted Accounts - - - - -		22,035
			Estimated Balance of Cash in the Treasuries of India on the 31st March 1868 - - - - -		11,125,992
	£.				£.
	20,973,414				20,973,414

A P P E N D I X.

ESTIMATE OF REVENUE, EXPENDITURE, AND CASH BALANCES.

1867-68.

- | | | | | | |
|--|---|---|---|---|----------------|
| I.—District Revenues and Charges | - | - | - | - | pp. 78 to 89. |
| II.—Sundry Abstract Accounts | - | - | - | - | pp. 90 and 91. |
| III.—General Abstracts of the Total Revenues and Charges
of the several Districts | - | - | - | - | pp. 92 to 102. |

No. 1.—AN ESTIMATED ACCOUNT of the GROSS REVENUES of the TREASURIES and DEPARTMENTS under the immediate Control of the Government of INDIA, for the Year 1867-68; with the CHARGES of COLLECTION and other PAYMENTS out of those REVENUES, the NET RECEIPTS into the several Government Treasuries, and the Rates per Cent. for which the Gross Receipts were Collected.

	1.	2.	3.	CHARGES AGAINST INCOME.			7.	8.
				4.	5.	6.		
	GROSS RECEIPTS.	Repayments. — Allowances, Refunds, and Drawbacks.	NET RECEIPTS within the Year, after deducting Repayments.	CHARGES of COLLECTION.	Allowances and Assignments under Treaties and Engagements.	TOTAL CHARGES against INCOME.	NET RECEIPTS into the several Government Treasuries.	Rate per Cent. for which the Gross Receipt was Collected.
	£.	£.	£.	£.	£.	£.	£.	
Land Revenue - - - - -	24,000	-	24,000	12,180	-	-	-	50.75
Tributes and Contributions from Native States - - -	67,300	-	67,300	-	-	-	-	-
Forest - - - - -	91,300	-	91,300	12,180	169,840	182,020	{ Excess Charge, } 90,720	19.341
Abkaree (Excise) - - - - -	6,200	-	6,200	5,300	-	5,300	900	85.483
License Tax - - - - -	11,000	-	11,000	350	-	350	10,650	3.182
Stamps - - - - -	45,000	700	44,300	-	-	-	44,300	-
Mint - - - - -	7,000	50	6,950	250	-	250	6,700	3.571
Post Office - - - - -	100,100	-	100,100	56,300	-	56,300	43,800	56.244
Telegraph - - - - -	652,300	63,200	589,100	486,600	-	486,600	102,500	74.597
Law and Justice - - - - -	272,000	-	272,000	527,800	-	527,800	{ Excess Charge, } 255,800	194.044
Police - - - - -	51,200	-	51,200	-	-	-	51,200	-
Education - - - - -	200	-	200	-	-	-	200	-
Interest - - - - -	5,300	-	5,300	-	-	-	5,300	-
Miscellaneous - - - - -	185,500	-	185,500	-	-	-	185,500	-
Army—Miscellaneous - - - - -	227,900	-	227,900	-	-	-	227,900	-
Public Works—Miscellaneous - - - - -	442,240	-	442,240	-	-	-	442,240	-
	7,370	-	7,370	-	-	-	7,370	-
TOTAL GOVERNMENT of INDIA - - - - -	2,104,610	63,950	2,040,660	1,088,780	169,840	1,258,620	782,040	-

No. 2.—AN ESTIMATED ACCOUNT of the Gross REVENUES of the OUDE TERRITORY, for the Year 1867-68; with the CHARGES of COLLECTION and other PAYMENTS out of those REVENUES; the NET RECEIPTS into the several Government Treasuries, and the Rates per Cent. for which the Gross Receipts were collected.

AREA, 19,241 - - - - - POPULATION, 8,326,647.

REVENUES AND RECEIPTS.	1. GROSS RECEIPTS.	2. Repayments, — Allowances, Refunds, and Drawbacks.	3. NET RECEIPTS within the Year, after deducting Repayments.	CHARGES AGAINST INCOME.				8. NET RECEIPTS into the several Government Treasuries.	9. Rate per Cent. for which the Gross Receipt was Collected.	
				4. CHARGES of COLLECTION.	5. Allowances and Assignments under Treaties and Engagements.	6. Allowances to District and Village Officers.	7. TOTAL CHARGES against INCOME.			
Land Revenue - - - - -	£. 1,191,500	£. 938	£. 1,190,562	£. 120,000	£. -	£. -	£. -	£. -	10·071	
	1,191,500	938	1,190,562	120,000	86,160	560	206,720	983,842	10·071	
Forest - - - - -	12,900	-	12,900	11,200	-	-	11,200	1,700	86·822	
Abkaree (Excise) - - - - -	90,000	45	89,955	7,850	-	-	7,850	82,105	8·722	4·288
License Tax - - - - -	12,900	-	12,900	50	-	-	50	12,850	·387	
Salt - - - - -	2,200	50	2,150	6,150	-	-	6,150	Excess Charge, 4,000	279·545	
Stamps - - - - -	75,000	1,300	73,700	3,900	-	-	3,900	69,800	5·2	
Law and Justice - - - - -	13,400	922	12,478	-	-	-	-	12,478		
Police - - - - -	14,500	-	14,500	-	-	-	-	14,500		
Education - - - - -	500	-	500	-	-	-	-	500		
Interest - - - - -	200	-	200	-	-	-	-	200		
Miscellaneous - - - - -	2,300	135	2,165	-	-	-	-	2,165		
Public Works - Miscellaneous - - - - -	1,200	-	1,200	-	-	-	-	1,200		
TOTAL OUDE TERRITORY - - £.	1,416,600	3,390	1,413,210	149,150	86,160	560	235,870	1,177,340		

No. 3.—AN ESTIMATED ACCOUNT of the GROSS REVENUES of the CENTRAL PROVINCES, for the Year 1867-68; with the CHARGES of COLLECTION and other PAYMENTS out of those REVENUES; the NET RECEIPTS into the several Government Treasuries, and the Rates per Cent. for which the Gross Receipts were Collected.

AREA 120,874 POPULATION, 7,443,549.

		1.	2.	3.	CHARGES AGAINST INCOME.			7.	8.
					4.	5.	6.		
REVENUES AND RECEIPTS.		GROSS RECEIPTS.	Repayments, ——— Allowances, Refunds, and Drawbacks.	NET RECEIPTS within the Year, after deducting Repayments.	CHARGES of COLLECTION.	Allowances and Assignments under Treaties and Engagements.	TOTAL CHARGES against INCOME.	NET RECEIPTS into the several Government Treasuries.	Rate per Cent. for which the Gross Receipt was Collected.
Land Revenue	-	£. 481,500	£. 1,200	£. 480,300	£. 127,210	-	-	£. -	26·419
Tributes and Contributions from Native States	-	200	-	200	-	-	-	-	-
		481,700	1,200	480,500	127,210	86,440	213,650	266,850	26·408
Forest -	-	37,200	-	37,200	29,100	-	29,100	8,100	78·226
Abkaree (Excise)	-	101,100	200	100,900	4,960	-	4,960	95,940	4·906
License Tax	-	40,100	-	40,100	1,050	-	1,050	39,050	2·618
Customs	-	12,000	-	12,000	-	-	-	12,000	-
Salt	-	188,000	-	188,000	53,250	-	53,250	134,750	28·324
Stamps	-	90,400	1,400	89,000	2,800	-	2,800	86,200	3·097
Law and Justice	-	23,100	700	22,400	-	-	-	22,400	-
Police	-	16,300	-	16,300	-	-	-	16,300	-
Miscellaneous	-	15,300	300	15,000	-	-	-	15,000	-
Public Works—Miscellaneous	-	2,560	-	2,560	-	-	-	2,560	-
		1,007,760	3,800	1,003,960	218,370	86,440	304,810	699,150	-
TOTAL CENTRAL PROVINCES		£.							

No. 4.—AN ESTIMATED ACCOUNT of the GROSS REVENUES of the Province of BRITISH BURMAH, for the Year 1867-68; with the CHARGES of COLLECTION and other PAYMENTS out of those REVENUES; the NET RECEIPTS into the several Government Treasuries, and the Rates per Cent. for which the Gross Receipts were Collected.

AREA 2,564		POPULATION, 2,129,501.							
REVENUES AND RECEIPTS.		1.	2.	3.	CHARGES AGAINST INCOME.		6.	7.	
		GROSS RECEIPTS.	Repayments. — Allowances, Refunds, and Drawbacks.	NET RECEIPTS within the Year, after deducting Repayments.	4. CHARGES of COLLECTION.	5. TOTAL CHARGES against INCOME.	NET RECEIPTS into the several Government Treasuries.	Rate per Cent. for which the Gross Receipt was Collected.	
		£.	£.	£.	£.	£.	£.	Including Cost of Abkarree Optium.	Excluding Cost of Abkarree Optium.
Land Revenue	-	600,000	600	599,400	78,400	-	-	13-066	
Forest	-	600,000	600	599,400	78,400	78,400	521,000	13-066	
	-	70,000	-	70,000	34,900	34,900	35,100	49-857	
Abkarree (Excise)	-	123,000	800	122,200	8,000	8,000	114,200	6-504	813
License Tax	-	12,000	300	11,700	500	500	11,200	4-166	
Customs	-	230,000	3,100	226,900	13,500	12,500	214,400	5-435	
Salt	-	10,000	-	10,000	700	700	9,300	7-	
Stamps	-	50,000	400	49,600	1,200	1,200	48,400	2-4	
Law and Justice	-	70,000	-	70,000	-	-	70,000		
Police	-	13,000	-	13,000	-	-	13,000		
Marine	-	4,000	-	4,000	-	-	4,000		
Education	-	500	-	500	-	-	500		
Interest	-	800	-	800	-	-	800		
Miscellaneous	-	3,000	800	2,200	-	-	2,200		
Public Works—Miscellaneous	-	4,000	-	4,000	-	-	4,000		
TOTAL BRITISH BURMAH	-	1,190,300	6,000	1,184,300	136,200	136,200	1,048,100		

No. 5.—AN ESTIMATED ACCOUNT of the GROSS REVENUES of the GOVERNMENT of BENGAL, for the Year 1867-68, with the CHARGES of COLLECTION and other PAYMENTS out of those REVENUES; the NET RECEIPTS into the several Government Treasuries, and the Rates per Cent. for which the Gross Receipts were collected.

AREA, 213,743 - - - - - POPULATION, 37,969,304.									
	1.	2.	3.	CHARGES AGAINST INCOME.			7.	8.	
				4.	5.	6.			
REVENUES AND RECEIPTS.	GROSS RECEIPTS.	Repayments. — Allowances, Refunds, and Drawbacks.	NET RECEIPTS within the Year, after deducting Repayments.	CHARGES of COLLECTION.	Allowances and Assignments under Treaties and Engagements.	TOTAL CHARGES against INCOME.	NET RECEIPTS into the several Government Treasuries.	Rate per Cent. for which the Gross Receipt was Collected.	
	£.	£.	£.	£.	£.	£.	£.		
Land Revenue - - - - -	3,811,400	18,000	3,793,400	326,820	-	-	-	8·575	
Forest - - - - -	3,811,400	18,000	3,793,400	326,820	226,550	553,370	3,240,030	8·575	
	7,300	-	7,300	13,710	-	13,710	Excess Charge, 6,410	187·808	
Abkaree (Excise) - - - - -	674,200	300	673,900	135,590	-	135,590	538,310	20·111	5·522
License Tax - - - - -	160,000	-	160,000	14,300	-	14,300	145,700	8·938	
Customs - - - - -	1,133,200	15,000	1,118,200	57,700	-	57,700	1,060,500	5·092	
Salt - - - - -	2,633,000	40,000	2,593,000	12,000	-	12,000	2,581,000	·456	
Opium - - - - -	6,512,400	-	6,512,400	1,859,950	-	1,859,950	4,652,450	28·56	1·563
Stamps - - - - -	751,000	12,000	739,000	23,400	-	23,400	715,600	3·116	
Law and Justice - - - - -	223,900	-	223,900	-	-	-	223,900		
Police - - - - -	65,500	-	65,500	-	-	-	65,500		
Marine - - - - -	199,500	7,000	192,500	-	-	-	192,500		
Education - - - - -	34,300	-	34,300	-	-	-	34,300		
Interest - - - - -	300	-	300	-	-	-	300		
Miscellaneous - - - - -	46,800	37,700	9,100	-	-	-	9,100		
Public Works—Miscellaneous - - - - -	30,000	-	30,000	-	-	-	30,000		
TOTAL BENGAL PRESIDENCY - - - - -	16,282,800	130,000	16,152,800	2,443,470	226,550	2,670,020	13,482,780		

No. 6.—AN ESTIMATED ACCOUNT of the GROSS REVENUES of the NORTH WESTERN PROVINCES, for the Year 1867-68; with the CHARGES of COLLECTION and other PAYMENTS out of those REVENUES; the NET RECEIPTS into the several Government Treasuries, and the Rates per Cent. for which the Gross Receipts were collected.

AREA, 83,280

POPULATION, 30,014,921.

REVENUES AND RECEIPTS.	1. GROSS RECEIPTS	2. Repayments. — Allowances, Refunds, and Drawbacks.	3. NET RECEIPTS within the Year, after deducting Repayments.	CHARGES AGAINST INCOME.				8. NET RECEIPTS into the several Government Treasuries.	9. Rate per Cent. for which the Gross Receipt was Collected.
				4. CHARGES of COLLECTION.	5. Allowances and Assignments under Treaties and Engagements.	6. Allowances to District and Village Officers.	7. TOTAL CHARGES against INCOME.		
Land Revenue	£. 4,130,000	£. 9,120	£. 4,120,880	£. 333,670	£. —	£. —	£. —	£. —	8·079
Tributes and Contributions from Native States	170,000	—	170,000	—	—	—	—	—	—
Forest	4,300,000	9,120	4,290,880	333,670	101,650	8,120	443,440	3,847,440	7·76
	58,300	210	58,090	36,740	—	—	36,740	21,350	63·019
Alkaree (Excise)	215,000	300	214,700	33,130	—	—	33,130	181,570	15·409
License Tax	103,000	—	103,000	3,240	—	—	3,240	99,760	7·032
Customs	70,000	535	69,465	—	—	—	—	69,465	3·146
Salt	553,100	—	553,100	65,260	—	—	65,260	487,840	11·799
Stamps	340,000	4,360	335,640	17,300	—	—	17,300	318,340	5·088
Law and Justice	90,600	2,667	87,933	—	—	—	—	87,933	—
Police	55,800	—	55,800	—	—	—	—	55,800	—
Education	6,900	—	6,900	—	—	—	—	6,900	—
Interest	200	—	200	—	—	—	—	200	—
Miscellaneous	30,000	1,418	28,582	—	—	—	—	28,582	—
Public Works—Miscellaneous	214,450	—	214,450	—	—	—	—	214,450	—
TOTAL NORTH WESTERN PROVINCES - £.	6,037,250	18,610	6,018,740	489,340	101,650	8,120	599,110	5,419,630	—

No. 7.—AN ESTIMATED ACCOUNT of the GROSS REVENUES of the PUNJAB TERRITORIES, for the Year 1867-68; with the CHARGES of COLLECTION and other PAYMENTS out of those REVENUES; the NET RECEIPTS into the several Government Treasuries, and the Rates per Cent. for which the Gross Receipts were collected.

AREA, 86,184 - - - - - POPULATION, 14,230,424.

REVENUES AND RECEIPTS.	1. GROSS RECEIPTS.	2. Repayments. Allowances, Refunds, and Drawbacks.	3. NET RECEIPTS within the Year, after deducting Repayments.	CHARGES AGAINST INCOME.				8. NET RECEIPTS into the several Government Treasuries.	9. Rate per Cent. for which the Gross Receipt was Collected.
				4. CHARGES of COLLECTION.	5. Allowances and Assignments under Treaties and Engagements.	6. Allowances to District and Village Officers.	7. TOTAL CHARGES against INCOME.		
Land Revenue - - - - -	£. 1,915,200	£. 1,800	£. 1,913,400	£. 198,810	£. -	£. -	£. -	£. -	10·881
Tributes and Contributions from Native States -	27,200	-	27,200	-	-	-	-	-	-
	1,942,400	1,800	1,940,600	198,810	115,010	2,420	316,240	1,624,360	10·235
Forest - - - - -	32,700	500	32,200	30,600	-	-	30,600	1,600	98·578
Abkaree (Excise) - - - - -	83,500	150	83,350	7,180	-	-	7,180	76,170	8·599
License Tax - - - - -	50,000	1,200	48,800	930	-	-	930	47,870	1·86
Customs - - - - -	90,000	400	89,600	34,000	-	-	34,000	55,600	37·777
Salt - - - - -	830,000	100	829,900	36,440	-	-	36,440	793,460	4·39
Opium - - - - -	1,800	-	1,800	-	-	-	-	1,800	4·583
Stamps - - - - -	180,000	3,500	176,500	8,250	-	-	8,250	168,250	-
Law and Justice - - - - -	61,700	3,000	58,700	-	-	-	-	58,700	-
Police - - - - -	44,900	-	44,900	-	-	-	-	44,900	-
Marine - - - - -	1,500	-	1,500	-	-	-	-	1,500	-
Education - - - - -	6,500	-	6,500	-	-	-	-	6,500	-
Interest - - - - -	200	-	200	-	-	-	-	200	-
Miscellaneous - - - - -	16,500	100	16,400	-	-	-	-	16,400	-
Public Works—Miscellaneous - - - - -	150,600	-	150,600	-	-	-	-	150,600	-
TOTAL PUNJAB TERRITORIES - - - - -	3,492,300	10,750	3,481,550	316,210	115,010	2,420	433,640	3,047,910	-

No. 8.—AN ESTIMATED ACCOUNT of the GROSS REVENUES of the PRESIDENCY of MADRAS, for the Year 1867-68; with the CHARGES of COLLECTION and other PAYMENTS out of those REVENUES; the NET RECEIPTS into the several Government Treasuries, and the Rates per Cent. for which the Gross Receipts were Collected.

AREA, 104,438 - - - - - POPULATION, 28,276,265.									
REVENUES AND RECEIPTS.	1. GROSS RECEIPTS. £.	2. Repayments, — Allowances, Refunds, and Drawbacks. £.	3. NET RECEIPTS within the Year, after deducting Repayments. £.	CHARGES AGAINST INCOME.				8. NET RECEIPTS into the several Government Treasuries. £.	9. Rate per Cent. for which the Gross Receipt was Collected.
				4. CHARGES of COLLECTION. £.	5. Allowances and Assignments under Treaties and Engagements. £.	6. Allowances to District and Village Officers. £.	7. TOTAL CHARGES against INCOME. £.		
Land Revenue	4,410,000	1,500	4,408,500	377,090	-	-	-	-	8.551
Tributes and Contributions from Native States	344,600	-	344,600	-	-	-	-	-	-
Forest	4,754,600	1,500	4,753,100	377,090	453,580	41,400	872,070	3,881,030	7.931
Abkaree (Excise)	42,000	-	42,000	27,300	-	-	27,300	14,700	65.
License Tax	555,000	-	555,000	21,700	-	-	21,700	538,300	3.909
Customs	85,000	3,000	82,000	5,280	-	-	5,280	76,720	6.212
	240,000	5,100	234,900	17,100	-	-	17,100	217,800	7.125
Salt	1,275,000	-	1,275,000	147,200	-	-	147,200	1,127,800	Including Cost of Salt. 11.545 2.812 3.795 208.833
Stamps	400,500	4,000	396,500	15,200	-	-	15,200	381,300	
Mint	7,200	-	7,200	15,000	-	-	15,000	{ Excess Charge, 7,800 }	
Law and Justice	75,500	-	75,500	-	-	-	-	75,500	
Police	39,100	-	39,100	-	-	-	-	39,100	
Marine	3,200	-	3,200	-	-	-	-	3,200	
Education	5,400	-	5,400	-	-	-	-	5,400	
Interest	13,400	-	13,400	-	-	-	-	13,400	
Miscellaneous	47,000	3,000	44,000	-	-	-	-	44,000	
Army—Miscellaneous	143,820	-	143,820	-	-	-	-	143,820	
Public Works—Miscellaneous	12,000	-	12,000	-	-	-	-	12,000	
TOTAL MADRAS PRESIDENCY - - £.	7,698,720	16,600	7,682,120	625,870	453,580	41,400	1,120,850	6,561,270	

No. 9.—AN ESTIMATED ACCOUNT of the GROSS REVENUES of the PRESIDENCY OF BOMBAY, including Sind, for the Year 1867-68; with the CHARGES of COLLECTION and other PAYMENTS out of those REVENUES; the NET RECEIPTS into the several Government Treasuries, and the Rates per Cent. for which the Gross Receipts were collected.

AREA, 78,014 - - - - - POPULATION, 12,051,831.

	1. GROSS RECEIPTS.	2. Repayments. — Allowances, Refunds, and Drawbacks.	3. NET RECEIPTS within the Year, after deducting Repayments.	CHARGES AGAINST INCOME.				8. NET RECEIPTS into the several Government Treasuries.	9. Rate per Cent. for which the Gross Receipt was Collected.
				4. CHARGES of COLLECTION.	5. Allowances and Assignments under Treaties and Engagements.	6. Allowances to District and Village Officers, &c.	7. TOTAL CHARGES against INCOME.		
	£.	£.	£.	£.	£.	£.	£.	£.	
Land Revenue -	3,540,000	12,000	3,528,000	361,420	-	-	-	-	10·209
Tributes and Contributions from Native States	89,100	-	89,100	-	-	-	-	-	
Forest -	3,629,100	12,000	3,617,100	361,420	823,270	345,700	1,530,390	2,086,710	9·959
	146,300	700	145,600	91,750	-	-	91,750	53,850	62·714
Abkaree (Excise) -	400,000	2,400	397,600	32,740	-	-	32,740	364,860	8·185
License Tax -	150,000	2,000	148,000	7,550	-	-	7,550	140,450	5·033
Customs -	770,000	53,500	716,500	87,700	-	-	87,700	628,800	11·389
Salt -	533,000	-	533,000	32,300	-	-	32,300	500,700	6·06
Opium -	2,300,000	-	2,300,000	3,250	-	-	3,250	2,296,750	·141
Stamps -	500,000	10,000	490,000	18,500	-	-	18,500	471,500	3·7
Mint -	130,000	-	130,000	47,100	-	-	47,100	82,900	36·231
Law and Justice -	125,000	-	125,000	-	-	-	-	125,000	
Police -	12,400	-	12,400	-	-	-	-	12,400	
Marine -	51,000	-	51,000	-	-	-	-	51,000	
Education -	14,000	-	14,000	-	-	-	-	14,000	
Interest -	27,000	-	27,000	-	-	-	-	27,000	
Miscellaneous -	50,000	-	50,000	-	-	-	-	50,000	
Army—Miscellaneous -	132,940	8,000	132,940	-	-	-	-	132,940	
Public Works—Miscellaneous -	57,320	-	57,320	-	-	-	-	57,320	
TOTAL BOMBAY PRESIDENCY - £.	9,028,060	88,600	8,939,460	682,310	823,270	345,700	1,851,280	7,088,180	

Year ending 31st March 1868, showing the Local Surplus or Deficit at each Presidency or Province.

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No. 11.—AN ACCOUNT of the Aggregate of BALANCES of PUBLIC MONEY in the Treasuries of INDIA, on the 31st March 1867; the AMOUNT of DEBT estimated to be incurred and discharged during the Year 1867-68; including the AMOUNT of ADVANCES and REPAYMENTS on various Accounts, the SUPPLIES to and from LONDON, and between the several PRESIDENCIES and PROVINCES, and the Total Estimated BALANCE in the Indian Treasuries, on the 31st March 1868.

R E C E I P T S.

	GOVERNMENT OF INDIA.						North Western Provinces.	Punjab.	Madras.	Bombay, including Sind.	Total.
	General and Political.	Oude.	Central Provinces.	British Burmah.	Bengal.						
	£.	£.	£.	£.	£.	£.	£.	£.	£.	£.	£.
Aggregate of Cash Balances in the Indian Treasuries on the 31st March 1867 -	372,227	337,213	410,779	276,079	2,191,370	1,502,174	1,020,938	2,628,750	2,317,494	11,057,054	
DEBT Incurred:											
Special Loans for Public Works -	1,479,800	-	-	-	-	-	-	-	-	-	1,479,800
Other Loans -	2,160,000	-	-	-	-	-	-	-	-	-	2,160,000
Treasury Notes -	230,000	-	-	-	-	-	-	-	-	-	230,000
Service Funds -	906,570	4,300	4,000	6,000	11,200	10,500	8,600	458,010	278,000	-	1,687,180
Deposits -	1,413,030	205,400	37,000	42,000	1,763,000	798,700	387,700	705,700	781,000	-	6,133,550
Local Funds -	31,900	114,861	156,774	106,000	370,748	594,665	296,000	370,930	588,411	-	2,630,289
Miscellaneous -	99,500	5	-	-	28,300	4,750	2,600	5,900	-	-	141,055
Advances Recoverable -	292,500	10,000	10,400	60,000	5,500	19,600	16,000	252,000	23,500	-	689,500
Prize Money -	160,000	-	-	-	-	-	-	-	-	-	160,000
Local Remittances -	-	-	43,000	-	195,374	-	-	40,598	-	-	281,972
TOTAL DEBT Incurred -	6,773,320	334,566	251,174	214,000	2,377,122	1,428,215	710,900	1,633,138	1,670,911	-	15,593,346
SUPPLIES from LONDON:											
Bills on the Secretary of State for India for Interest of Indian Debt -	1,000	-	-	-	-	-	-	-	-	-	1,000
Other Bills on the Secretary of State for India -	12,500	-	-	-	-	-	-	-	-	-	44,500
Specie Remittances from the Secretary of State -	-	-	-	-	-	-	-	-	-	-	757,100
Advances made in England—repaid -	230,000	100	-	-	-	-	250	276,800	150,000	-	657,150
Miscellaneous, including Credits to Her Majesty's Government -	737,550	-	-	4,900	60,000	600	-	109,450	67,800	-	980,300
Traffic Receipts on account of Indian Railways -	1,199,779	7,970	-	-	-	-	-	295,900	747,542	-	2,288,454
Madras Irrigation and Canal Company, Net Earnings -	-	-	-	-	-	-	-	900	-	-	900
TOTAL SUPPLIES from LONDON -	2,180,329	8,070	-	4,900	60,000	600	37,513	683,050	1,754,442	-	4,729,404
ACCOUNTS CURRENT between the Presidencies:											
Bills drawn, Remittances of Treasure and Advances and Disbursements (Excess Credits to)	12,878,110	-	-	-	-	-	-	-	-	-	16,263,733
Excess of Income over Expenditure (Account No. 10) -	-	679,000	9,970	341,150	10,329,290	3,366,040	1,307,980	965,610	719,960	-	17,719,000
	22,204,486	1,358,849	671,923	836,129	14,957,782	6,297,029	3,077,331	6,110,578	9,848,430	-	65,362,537

PAYMENTS.

	GOVERNMENT OF INDIA.						Bengal.	North Western Provinces.	Punjab.	Madras.	Bombay, including Sind.	TOTAL.
	Oude.			Central Provinces.		British Burmah.						
	General and Political.	£.	£.	£.	£.							
DEBT DISCHARGED:												
Special Loans for Public Works	100,000	-	-	-	-	-	-	-	-	-	-	100,000
Other Loans	2,300,000	-	-	-	-	-	-	-	-	-	-	2,300,000
Loan to Water Supply Company	180,000	-	-	-	-	-	-	-	-	-	-	180,000
Treasury Notes	980,000	-	-	-	-	-	-	-	-	-	-	980,000
Service Funds	632,560	400	300	100	1,700	700	600	388,930	249,500	200	200	1,274,790
Deposits	549,700	250,000	29,200	50,000	1,735,000	703,800	372,700	627,180	620,400	557,503	120,000	4,907,980
Local Funds	32,230	132,139	173,500	110,000	451,296	622,336	312,500	342,390	57,503	1,750	27,000	2,733,885
Miscellaneous	93,350	-	-	-	21,057	5,000	3,700	1,750	120,000	246,860	74,293	244,857
Advances recoverable	300,000	1,400	10,900	60,000	16,000	32,600	18,500	246,860	27,000	-	-	714,260
Prize Money	673,550	-	-	-	-	-	-	-	-	-	-	673,550
Local Remittances	283,500	-	-	-	55,000	-	-	-	-	-	-	412,793
TOTAL DEBT DISCHARGED - - - £.												
14,522,315												
SUPPLIES TO LONDON:												
Bills drawn by the Secretary of State for India, discharged	3,200,000	-	-	-	-	-	-	-	-	300,000	1,000,000	4,500,000
Bills on Her Majesty's Government, transmitted	-	-	-	-	-	-	-	-	-	-	-	100,000
Supplies to Her Majesty's Government, repayable in England	338,950	-	-	-	-	-	-	-	-	-	-	338,950
Advances for Abyssinian Expedition	-	-	-	-	-	-	-	-	-	-	3,319,100	3,319,100
Miscellaneous	14,600	-	-	-	-	-	-	-	-	38,550	12,500	66,300
Payments on account of the Madras Irrigation and Canal Company	-	-	-	-	-	-	-	-	-	17,500	-	17,500
Payments on account of Indian Railways, under Deeds of Contract with the respective Railway Companies, viz.:-	-	-	-	-	-	-	-	-	-	-	-	-
Advances for Construction	1,164,167	67,000	-	-	-	-	944,166	402,417	1,741,025	23,000	-	4,318,775
Guaranteed Interest on Railway Capital paid in India	13,750	-	-	-	-	-	687	-	-	-	-	37,437
TOTAL SUPPLIES TO LONDON - - - £.												
12,698,062												
ACCOUNTS CURRENT between the Presidencies:												
Bills paid, Remittances of Treasury and Advances and Disbursements (Excess Debits to)	-	622,800	32,650	240,000	10,577,015	3,573,550	689,910	549,843	-	-	-	16,285,768
Excess of Expenditure over Income (Account No. 10)	10,730,400	-	-	-	-	-	-	-	-	-	-	10,730,400
11,125,992												
Cash Balance in the Indian Treasuries on the 31st March 1868 - - - - -	517,729	315,119	425,373	320,429	2,155,664	1,358,043	734,568	3,193,158	2,103,909	-	-	11,125,992
65,362,537												

No. 12.—GENERAL ABSTRACT VIEW of the TOTAL REVENUES and CHARGES of INDIA, including the Charges disbursed in ENGLAND, for the Year 1866-67, and as Estimated for the Year 1867-68.

REVENUES AND RECEIPTS:		1866-67, Eleven Months.	Estimate, 1867-68.	EXPENDITURE:				1866-67, ELEVEN MONTHS.				ESTIMATE, 1867-68.			
				£.	£.	IN INDIA.	Stores from England.	IN ENGLAND.	TOTAL.	IN INDIA.	Stores.	Other Charges.	TOTAL.	£.	£.
Land Revenue	-	-	20,103,600	19,136,449	-	-	-	-	-	421,830	-	-	341,700	-	341,700
Tributes and Contributions from Na- tive States	-	-	698,400	629,245	-	-	-	-	-	1,832,022	-	-	1,935,600	-	1,935,600
Forest	-	-	-	-	-	-	-	-	-	208,633	-	-	280,600	-	280,600
Assessed Taxes	-	-	-	-	-	-	-	-	-	234,225	-	-	251,500	-	251,500
Customs	-	-	-	-	-	-	-	-	-	1,188	-	-	32,900	-	32,900
Salt	-	-	412,900	311,340	-	-	-	-	-	188,810	-	-	209,000	-	209,000
Abkaree (Excise)	-	-	-	-	-	-	-	-	-	105,330	-	-	111,350	-	111,350
License Tax	-	-	-	-	-	-	-	-	-	212,189	-	-	241,950	-	241,950
Post Office	-	-	-	-	-	-	-	-	-	975,036	-	-	1,758,188	-	1,758,188
Telegraph	-	-	-	-	-	-	-	-	-	102,294	-	-	105,012	-	105,012
Allowances and Assignments under Treaties and Engage- ments	-	-	-	-	-	-	-	-	-	98,119	-	-	118,323	-	118,323
Allowances to District and Village Officers, &c.	-	-	-	-	-	-	-	-	-	237,152	-	-	52,946	-	171,346
Stamp	-	-	658,000	22,127	-	-	-	-	-	46,374	-	-	48,600	-	543,349
Customs	-	-	2,545,200	2,030,864	-	-	-	-	-	5,139	-	-	9,770	-	645,934
Salt	-	-	6,024,300	5,345,910	-	-	-	-	-	154,977	-	-	527,800	-	2,082,379
Opium	-	-	8,814,200	6,803,413	-	-	-	-	-	33,167	-	-	2,062,500	-	398,200
Stamps	-	-	2,393,900	1,803,773	-	-	-	-	-	7,637,527	-	-	8,952,100	-	9,227,331
Mint	-	-	237,300	239,991	-	-	-	-	-	107,746	-	-	181,236	-	93,995
Post Office	-	-	652,300	496,439	-	-	-	-	-	1,271,284	-	-	1,037,300	-	1,250,441
Telegraph	-	-	272,000	197,355	-	-	-	-	-	2,397,788	-	-	2,488,900	-	2,488,900
Law and Justice	-	-	734,400	627,050	-	-	-	-	-	2,262,921	-	-	2,383,200	-	2,383,200
Police	-	-	261,700	188,169	-	-	-	-	-	770,630	-	-	713,900	-	882,535
Marine	-	-	259,200	228,543	-	-	-	-	-	674,717	-	-	786,200	-	786,200
Education	-	-	73,400	66,658	-	-	-	-	-	144,360	-	-	155,500	-	155,500
Interest	-	-	227,600	233,513	-	-	-	-	-	261,801	-	-	315,500	-	315,500
Miscellaneous	-	-	438,800	276,310	-	-	-	-	-	301,764	-	-	203,800	-	242,257
										284,015	-	-	237,500	-	273,054
										98,809	-	-	443,600	-	718,908
										177,272	-	-	635,900	-	870,564
										221,440	-	-	244,664	-	-
										79,305	-	-	16,390,157	-	-
										2,829,346	-	-	2,748,997	-	-
										15,825,791	-	-	76,045	-	-
										5,025,444	-	-	4,943	-	-
										259,474	-	-	192,300	-	-
										111,681	-	-	179,200	-	-
										1,339,783	-	-	1,516,841	-	-
										3,889,063	-	-	67,000	-	-
										-	-	-	67,000	-	-

Army—Miscellaneous	-	717,489	719,000	Interest on Service Funds and other Accounts	-	420,268	-	772,800	-	772,800
Public Works—Miscellaneous	-	538,139	479,500	Dividends to Proprietors of East India Stock	-	-	629,970	-	629,970	629,970
TOTAL REVENUES and RECEIPTS of all the PRESIDENCIES and PROVINCES of INDIA	£.	42,012,566	48,258,500	TOTAL	£.	37,094,406	1,157,378	38,508,700	1,151,359	45,465,746
Receipts in { Telegraph. - - - - - { Miscellaneous - - - - - { Army - - - - -	-	22,117 67,871 19,879	26,916 61,452 16,401	Guaranteed Interest on the Capital of Railway and other Companies in India and in England, deducting Net Traffic Receipts (Account No. 3)	-	-	731,049	-	-	1,242,400
TOTAL REVENUES and RECEIPTS in INDIA and ENGLAND	£.	42,122,433	48,363,269	Excess of Income over Expenditure, excluding Public Works, Extraordinary	-	37,094,406	1,157,378	38,508,700	1,151,359	46,708,146
Excess of Expenditure over Income, including Public Works, Extraordinary	-	2,517,491	1,106,077	Public Works, Extraordinary	-	-	-	2,761,200	-	1,655,123
	£.	44,639,924	49,469,346		£.	37,094,406	1,157,378	41,269,900	1,151,359	48,363,269

No. 13.—GENERAL ABSTRACT ACCOUNT of the CASH TRANSACTIONS of INDIA, for the Year 1866-67, and as Estimated for the Year 1867-68.

	1866-67. Eleven Months.	Estimate, 1867-68.	PAYMENTS:		1866-67. Eleven Months.	Estimate, 1867-68.
			£.	£.		
Cash Balance in the several Indian Treasuries at the commencement of the Year	13,771,625	11,057,054	Debt discharged	-	15,790,963	14,522,315
	-	-	Supplies to London, including Debits to Her Majesty's Government	-	11,168,996	12,698,062
Local Indian Surplus	-	4,918,160	Balance of Supplies between the different Presidencies (on Unadjusted Accounts)	194,117	-	22,085
Debt incurred	-	15,728,679	Cash Balances in the several Indian Treasuries at the close of the Year	11,057,054	11,125,992	-
Supplies from London, including Credits to Her Majesty's Government	3,792,666	4,729,404				
	£.	38,211,130		£.	38,211,130	38,368,404

No. 15.—GENERAL ABSTRACT VIEW of the TOTAL REVENUES and CHARGES of the OUDE TERRITORY for the Year 1866-67, and as Estimated for the Year 1867-68.

REVENUES AND RECEIPTS:						EXPENDITURE:					
1866-67. Eleven Months.			Estimate, 1867-68.			1866-67. Eleven Months.			Estimate, 1867-68.		
£.		£.	£.		£.	£.		£.	£.		£.
-	Land Revenue -	-	1,037,894	-	1,191,500	-	Allowances, Refunds, and Drawbacks -	-	-	-	3,390
-	Forest -	-	20,125	-	12,900	-	Land Revenue -	-	-	-	120,000
-	Abkaree (Excise) -	-	69,719	-	90,000	-	Forest -	-	-	-	11,200
-	License Tax -	-	495	-	12,900	-	Abkaree (Excise) -	-	-	-	7,850
-	Salt -	-	1,239	-	2,300	-	Assessed Taxes -	-	-	-	50
-	Stamps -	-	53,527	-	75,000	-	Salt -	-	-	-	6,150
-	Law and Justice -	-	9,537	-	13,400	-	Stamps -	-	-	-	3,900
-	Police -	-	18,152	-	14,500	-	Allowances and Assignments under Treaties and Engagements -	-	-	-	86,160
-	Education -	-	546	-	500	-	Allowances to District and Village Officers, &c. -	-	-	-	560
-	Interest -	-	-	-	200	-	TOTAL of the Direct Claims and Demands on the Revenues,	-	-	-	239,260
-	Miscellaneous -	-	1,970	-	2,300	-	including Charges of Collection and Cost of Salt -	-	-	-	
-	Public Works—Miscellaneous -	-	752	-	1,200	-	Administration and Public Departments -	-	-	-	39,100
-		-		-		-	Law and Justice -	-	-	-	67,100
-		-		-		-	Police -	-	-	-	118,000
-		-		-		-	Education, Science, and Art -	-	-	-	19,100
-		-		-		-	Ecclesiastical -	-	-	-	4,000
-		-		-		-	Medical Services -	-	-	-	11,400
-		-		-		-	Stationery and Printing -	-	-	-	5,230
-		-		-		-	Miscellaneous -	-	-	-	4,850
-		-		-		-	Superannuation, Retired, and Compassionate Allowances -	-	-	-	6,060
-		-		-		-	Public Works, Ordinary :	-	-	-	
-		-		-		-	Public Works -	-	-	-	121,000
-		-		-		-	Supervision and Cost of Land for Railways -	-	-	-	1,300
-		-		-		-	Interest on Service Funds and other Accounts -	-	-	-	1,700
-		-		-		-	Public Works, Extraordinary -	-	-	-	99,500
-		-		-		-	Surplus -	-	-	-	737,600
-		-		-		-		-	-	-	679,000
£.			1,213,956		1,416,600	£.					1,416,600

No. 16.—GENERAL ABSTRACT VIEW of the TOTAL REVENUES and CHARGES of the CENTRAL PROVINCES, for the Year 1866-67, and as Estimated for the Year 1867-68.

REVENUES AND RECEIPTS:		1866-67. Eleven Months.	Estimate, 1867-68.
Land Revenue - - - - -	£.	666,336	481,500
Tributes and Contributions from Native States - - - - -		-	200
Forest - - - - -		23,747	37,200
Abkaree (Excise) - - - - -		100,248	101,100
License Tax - - - - -		288	40,100
Customs - - - - -		4,086	12,000
Salt - - - - -		155,702	188,000
Stamps - - - - -		58,402	90,400
Law and Justice - - - - -		15,898	23,100
Police - - - - -		14,169	16,300
Miscellaneous - - - - -		8,072	15,300
Public Works—Miscellaneous - - - - -		5,309	2,560
		£.	1,007,760
EXPENDITURE:		1866-67. Eleven Months.	Estimate, 1867-68.
Allowances, Refunds, and Drawbacks - - - - -	£.	11,534	3,800
Land Revenue - - - - -		121,359	127,210
Forest - - - - -		14,941	29,100
Abkaree (Excise) - - - - -		2,707	4,980
Assessed Taxes - - - - -		-	1,050
Salt - - - - -		41,488	53,250
Stamps - - - - -		2,125	2,800
Allowances and Assignments under Treaties and Engagements - - - - -		88,358	86,440
TOTAL of the Direct Claims and Demands on the Revenues, including Charges of Collection and Cost of Salt - - -		282,512	308,610
Administration and Public Departments - - - - -		39,270	33,700
Law and Justice - - - - -		69,502	80,000
Police - - - - -		127,750	142,300
Education, Science, and Art - - - - -		18,060	20,600
Ecclesiastical - - - - -		3,380	3,900
Medical Services - - - - -		13,131	15,700
Stationery and Printing - - - - -		6,074	2,500
Political Agencies and other Foreign Services - - - - -		287	480
Miscellaneous - - - - -		16,088	16,410
Superannuation, Retired, and Compassionate Allowances - - - - -		12,148	14,690
Public Works, Ordinary { Public Works		249,787	176,300
Interest on Service Funds and other Accounts - - - - -		19,152	10,000
Public Works, Extraordinary - - - - -		626	1,400
		-	171,200
		£.	997,790
Surplus - - - - -		194,540	9,970
		£.	1,007,760

No 17.—GENERAL ABSTRACT VIEW of the TOTAL REVENUES and CHARGES of BRITISH BURMAH, for the Year 1866-67, and as Estimated for the Year 1867-68.

REVENUES AND RECEIPTS:		1866-67, Eleven Months.	Estimate, 1867-68.	EXPENDITURE:		1866-67, Eleven Months.	Estimate, 1867-68.
	£.	£.	£.		£.	£.	£.
Land Revenue	-	549,824	600,000	Allowances, Refunds, and Drawbacks	-	-	-
Forest	-	42,477	70,000	Land Revenue	-	6,815	6,000
Abkaree (Excise)	-	85,929	123,000	Forest	-	83,314	78,400
License Tax	-	35	12,000	Abkaree (Excise)	-	28,633	34,900
Customs	-	119,954	230,000	Assessed Taxes	-	8,985	8,000
Salt	-	6,893	10,000	Customs	-	-	500
Stamps	-	38,326	50,000	Salt	-	10,894	12,500
Law and Justice	-	59,159	70,000	Stamps	-	387	700
Police	-	13,636	13,000	TOTAL of the Direct Claims and Demands on the Revenues, } including Charges of Collection and Cost of Salt			
Marine	-	5,208	4,000	Administration and Public Departments	-	139,958	142,200
Education	-	421	500	Law and Justice	-	28,083	31,500
Interest	-	421	800	Police	-	183,017	180,000
Miscellaneous	-	4,651	3,000	Marine	-	116,537	130,000
Public Works—Miscellaneous	-	10,978	4,000	Education, Science, and Art	-	17,630	25,000
				Eccelesiastical	-	6,625	8,700
				Medical Services	-	4,579	5,000
				Stationery and Printing	-	8,072	10,750
				Political Agencies and other Foreign Services	-	2,768	5,300
				Miscellaneous	-	9,896	12,700
				Superannuation, Retired, and Compassionate Allowances	-	3,186	4,200
				Public Works, Ordinary	-	2,300	3,000
				Interest on Service Funds and other Accounts	-	195,533	174,200
				Public Works, Extraordinary	-	783	800
						-	115,800
				Surplus	-	718,967	849,150
						218,945	341,150
						937,912	1,190,300

No. 19.—GENERAL ABSTRACT VIEW of the TOTAL REVENUES and CHARGES of the EASTERN SETTLEMENTS, for the Year 1866-67, and as Estimated for the Year 1867-68.

REVENUES AND RECEIPTS:		1866-67, Eleven Months.	Estimate, 1867-68.
Land Revenue - - - - -	-	£. 7,978	
Forest - - - - -	-	244	
Abkaree (Excise) - - - - -	-	114,638	
Customs - - - - -	-	258	
Stamps - - - - -	-	21,855	
Law and Justice - - - - -	-	10,730	
Police - - - - -	-	211	
Marine - - - - -	-	5,446	
Education - - - - -	-	43	
Miscellaneous - - - - -	-	14,619	
Public Works—Miscellaneous - - - - -	-	803	
		£. 176,825	
EXPENDITURE:		1866-67, Eleven Months.	Estimate, 1867-68.
Land Revenue - - - - -	-		£. 3,374
Customs - - - - -	-		775
Stamps - - - - -	-		2,703
Allowances and Assignments under Treaties and Engagements - - - - -	-		5,028
Total of the Direct Claims and Demands on the Revenues, including Charges of Collection and Cost of Salt - - -			11,880
Administration and Public Departments - - - - -	-		12,496
Law and Justice - - - - -	-		22,677
Police - - - - -	-		4,438
Marine - - - - -	-		17,072
Education, Science, and Art - - - - -	-		2,574
Ecclesiastical - - - - -	-		2,224
Medical Services - - - - -	-		5,617
Stationery and Printing - - - - -	-		395
Political Agencies and other Foreign Services - - - - -	-		5
Miscellaneous - - - - -	-		1,939
Superannuation, Retired, and Compassionate Allowances - - - - -	-		1,522
Public Works - - - - -	-		29,703
Interest on Service Funds and other Accounts - - - - -	-		310
			£. 112,852
Surplus - - - - -			63,973
		£. 176,825	

Separated from British India.

Separated from British India.

No. 22.—GENERAL ABSTRACT VIEW of the TOTAL REVENUES and CHARGES of the PUNJAB TERRITORIES for the Year 1866-67, and as Estimated for the Year 1867-68.

REVENUES AND RECEIPTS:		1866-67, Eleven Months.	Estimate, 1867-68.	EXPENDITURE:		1866-67, Eleven Months.	Estimate, 1867-68.
		£.	£.			£.	£.
Land Revenue	- - - - -	1,904,985	1,915,200	Allowances, Refunds, and Drawbacks	- - - - -	8,984	10,750
Tributes and Contributions from Native States	- - - - -	27,205	27,200	Land Revenue	- - - - -	172,685	198,810
Forest	- - - - -	39,605	32,700	Forest	- - - - -	25,871	30,600
Abkaree (Excise)	- - - - -	77,885	83,500	Abkaree (Excise)	- - - - -	6,651	7,180
License Tax	- - - - -	285	50,000	Assessed Taxes	- - - - -	-	930
Customs	- - - - -	81,413	90,000	Customs	- - - - -	23,850	34,000
Salt	- - - - -	750,077	830,000	Salt	- - - - -	30,418	36,440
Opium	- - - - -	1,066	1,800	Stamps	- - - - -	5,811	8,250
Stamps	- - - - -	130,349	180,000	Allowances and Assignments under Treaties and Engagements	- - - - -	104,701	115,010
Law and Justice	- - - - -	57,550	61,700	Allowances to District and Village Officers, &c.	- - - - -	921	2,420
Police	- - - - -	32,208	44,900	Total of the Direct Claims and Demands on the	Revenues, including Charges of Collection and Cost of Salt	384,892	444,390
Marine	- - - - -	1,311	1,500	Administration and Public Departments		102,379	104,500
Education	- - - - -	3,471	6,500	Law and Justice	- - - - -	164,728	187,600
Interest	- - - - -	462	200	Police	- - - - -	273,084	295,000
Miscellaneous	- - - - -	10,818	16,500	Marine	- - - - -	18,628	23,720
Public Works—Miscellaneous	- - - - -	129,418	150,600	Education, Science, and Art	- - - - -	56,924	65,300
		3,248,108	3,492,300	Ecclesiastical	- - - - -	15,311	18,700
				Medical Services	- - - - -	25,247	28,700
				Stationery and Printing	- - - - -	7,966	6,540
				Political Agencies and other Foreign Services	- - - - -	10,976	11,840
				Miscellaneous	- - - - -	14,181	31,240
				Superannuation, Retired, and Compassionate Allowances	- - - - -	16,188	18,450
				Public Works, Ordinary { Public Works -	- - - - -	712,531	426,800
				Supervision and Cost of Land for Railways -	- - - - -	29,201	12,600
				Loss by Exchange on Railway Transactions	- - - - -	60,570	82,440
				Interest on Service Funds and other Accounts -	- - - - -	1,433	2,900
				Public Works, Extraordinary	- - - - -	-	423,600
				Surplus	- - - - -	1,894,239	2,184,320
						1,353,869	1,307,980
						3,248,108	3,492,300

REVENUES AND RECEIPTS:				1866-67, Eleven Months.	Estimate, 1867-68.
			£.	£.	£.
Land Revenue	-	-	3,652,026	-	4,410,000
Tributes and Contributions from Native States	-	-	315,108	-	344,600
Forest	-	-	32,978	-	42,000
Abkaree (Excise)	-	-	427,452	-	555,000
License Tax	-	-	1,346	-	85,000
Customs	-	-	193,539	-	240,000
Salt	-	-	1,047,573	-	1,275,000
Stamps	-	-	282,553	-	400,500
Mint	-	-	15,948	-	7,200
Law and Justice	-	-	66,476	-	75,500
Police	-	-	13,829	-	39,100
Marine	-	-	2,454	-	3,200
Education	-	-	4,960	-	5,400
Interest	-	-	9,734	-	13,400
Miscellaneous	-	-	45,678	-	47,000
Miscellaneous	{ Army Public Works	-	128,370	-	143,820
		-	14,827	-	12,000

EAST INDIA
(FINANCE AND REVENUE ACCOUNTS).

FINANCE AND REVENUE
ACCOUNTS
OF
THE GOVERNMENT OF INDIA,
FOR THE
YEAR 1866/67;
AND
ESTIMATE OF REVENUE, EXPENDITURE,
AND CASH BALANCES
FOR 1867/68;
WITH A COMPARISON OF THE TWO YEARS.

(Presented to Parliament pursuant to Act 21 & 22 Vict. c. 106.)

Ordered, by The House of Commons, to be Printed,
14 May 1868.

[*Price 1 s. 1 d.*]

270.

Under 12 oz.

EAST INDIA (HOME ACCOUNTS).

HOME ACCOUNTS

OF THE

GOVERNMENT OF INDIA.

(Presented pursuant to the Act 21 & 22 Vict. c. 106.)

Ordered, by The House of Commons, to be Printed, 14 May 1868.

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India Office,
9 May 1868.

— No. 1. —

TREASURY of the GOVERNMENT of *India*, from 1st May 1866 to 31st March 1867.

DISBURSEMENTS.										£.	s.	d.
India 4 per Cent. Debentures paid off - - - - -										90,000	-	-
Loan to Indian Branch Railway Company - - - - -										60,000	-	-
CHARGES CONNECTED WITH THE COLLECTION OF THE REVENUE, AND DIRECT CLAIMS THEREON :										£.	s.	d.
Stamps—Stores - - - - -										17,893	8	7
Mint—Stores - - - - -										106,006	4	11
Post Office :										£.	s.	d.
Amount payable under postal arrangement with the Lords of Her Majesty's Treasury - -										42,174	-	-
Subsidy to the Euphrates and Tigris Steam Navigation Company, on account of the mail service between Bussorah and Bagdad - - -										4,200	-	-
										46,374	-	-
Stores - - - - -										5,138	19	2
										51,512	19	2
Telegraph :												
Red Sea and India Telegraph - - - -										18,027	-	-
Multa and Alexandria Telegraph - - -										208	12	6
Indo-European Telegraph - - - - -										9,969	13	3
										28,205	5	9
Stores - - - - -										154,976	10	9
										183,181	16	6
Allowances and Assignments under Treaties and Engagements :												
His Highness Maharajah Duleep Sing - -										33,167	1	4
										391,761	10	6
CHARGES ON THE REVENUES.												
Administration and Public Departments :												
Home Establishment: Salaries of the Secretary of State, Under Secretaries of State, Members of the Council of India, Secretaries and Officers of the Secretary of State for India in Council, Assistant Military Secretary to his Royal Highness the Field Marshal Commanding in Chief and Clerk, Assistant to Director of Transports at the Admiralty, and two Members of the London Medical Board - - - -										122,141	1	9
Auditor and Assistants under Act 21 & 22 Vict. c. 106, s. 52 - - - - -										2,269	4	-
Stores Department: Wages of labourers, cartage, lighterage, dock dues, &c. - - - -										19,862	6	7
Law Charges - - - - -										3,488	14	-
Bank of England and Bank of Ireland for management of debt - - - - -										10,768	11	1
Postage of despatches to and from India - -										4,475	7	2
Office Contingencies: Rent, rates, taxes, coals, gas, candles, furniture and repairs, books, stamps, advertisements, postage, and various petty charges - - - - -										19,214	8	7
										182,219	13	2
Carried forward - - - - -										£.		
										182,219	13	2
										391,761	10	6
										150,000	-	-

No. 1.—AN ACCOUNT of the Receipts and Disbursements of the Home

	£.	s.	d.
Brought forward - - -	12,450,627	18	4
RECEIPTS—continued.			
Indian Railway and other Guaranteed Companies:			
Instalments of Capital, &c. under their respective Deeds of Contract:	£.	s.	d.
Bombay, Baroda, and Central India Railway Company - - -	818,712	10	-
Calcutta and South Eastern Railway Company - - -	3,230	-	-
Eastern Bengal Railway Company - - -	273,620	-	-
East Indian Railway Company - - -	1,988,201	-	-
Great Indian Peninsula Railway Company - - -	1,995,296	-	-
Great Southern of India Railway Company - - -	97,200	-	-
Madras Railway Company - - -	667,455	-	-
Scinde Railway Company (including Indus Flotilla and Punjaub and Delhi Railways) - - -	694,981	-	-
Madras Irrigation and Canal Company - - -	42,059	2	6
			6,780,754 12 6
Carried forward - - - £.	19,231,382	10	10

Treasury of the Government of *India*, from 1st May 1866 to 31st March 1867—*continued*.

	£.	s.	d.	£.	s.	d.	£.	s.	d.
Brought forward - - -	182,219	13	2	391,761	10	6	150,000	-	-
DISBURSEMENTS— <i>continued</i> .									
CHARGES ON THE REVENUES— <i>continued</i> .									
Marine Charges :									
Pensions and Retired Allowances - - -	53,725	5	11						
Furlough and Absentee Allowances - - -	1,807	2	5						
Commutation of Pensions of Officers of the late Indian Navy - - - - -	580	4	9						
	56,112	13	1						
Stores - - - - -	128,571	19	7	184,684	12	8			
Stationery and Printing :									
Stationery, Printing, and Bookbinding - -	4,289	16	-						
Stores - - - - -	117,177	17	3	121,467	13	3			
Political Agencies and other Foreign Services :									
Mission to the Court of Persia - - -	9,000	-	-						
Her Majesty's Establishments in China - -	19,809	9	1	28,809	9	1			
Miscellaneous :									
New India Office - - - - -	82,000	-	-						
Purchase of Land for improving the site of the India Office and the approaches thereto - -	43,825	1	6						
East India Company for Expenses in respect of their Capital Stock and Dividends - -	2,639	18	-						
Examination Expenses and Allowances of Candidates for the Civil Service of India, the Indian Telegraph Department, and Civil Engineers -	13,459	14	5						
Passage and Outfit of the Governor of Bombay, the Bishop of Calcutta, the Recorder of Prince of Wales' Island, Chaplains, Professors, Schoolmasters, Civil Engineers, &c. - - -	9,042	13	5						
Expenses on account of Officers acquiring scientific knowledge - - - - -	425	12	3						
Agents at the Outports and Abroad, Salaries, and Expenses - - - - -	1,483	8	3						
Maintenance of Lunatics from India - - -	7,761	16	5						
Subscriptions to Charities - - - - -	665	-	-						
Indian Law Commission - - - - -	3,011	13	4						
Expenses in connexion with the introduction of Cinchona plants into India - - - - -	858	16	7						
Cost of Medals - - - - -	61	-	6						
Books and Newspapers supplied to India - -	750	8	10						
Books and Maps relating to India - - -	1,259	-	1						
Advances of Pay, &c. - - - - -	1,301	-	3						
Allowances to Officers for Special Services, cost of, and expenses incurred in placing Monument to the late Sir James Outram in Westminster Abbey, &c. - - - - -	3,108	12	-						
Expenses connected with the Extension of the Order of the "Star of India" - - -	5,618	7	6						
	177,272	3	4						
Stores - - - - -	5,212	14	9	182,484	18	1			
Carried forward - - - £.	699,666	6	3	391,761	10	6	150,000	-	-

No. 1.—AN ACCOUNT of the Receipts and Disbursements of the Home

RECEIPTS—*continued.*

	£.	s.	d.
Brought forward - - -	19,231,382	10	10

Carried forward - - - - £.	19,231,382	10	10
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Treasury of the Government of India, from 1st May 1866 to 31st March 1867—continued.

Brought forward - - -		£. s. d. 699,666 6 3	£. s. d. 391,761 10 6	£. s. d. 150,000 - -
DISBURSEMENTS—continued.				
CHARGES ON THE REVENUES—continued.				
SUPERANNUATION, RETIRED AND COMPASSIONATE ALLOWANCES:				
		£. s. d.		
Pensions and Retired Allowances - - - -		199,512 16 10		
Compensation Pensions to officers and petty officers, &c., of the Maritime Service of the East India Company - - - -		13,536 2 1		
Poplar Fund Pensions - - - -		3,021 6 3		
Annuities of the Madras Civil Fund of 1800, 1814, and 1818 - - - -		2,258 15 4		
Annual donation to Bengal Civil Fund - - -		2,500 - -		
Gratuities and relief to distressed natives of India -		271 6 -		
Gratuities to families of officers killed in action -		100 - -		
Gratuities granted in lieu of pensions to Members of the Uncovenanted Service of India - - -		240 - -	221,440 6 6	
Civil Furlough and Absentee Allowances - - -			79,305 4 1	
ARMY:				
<i>Effective:</i>		£. s. d.		
The Imperial Government for troops serving in India - -		675,000 - -		
Furlough allowances - - -		218,675 7 6		
Passage of officers and troops -		272,901 7 -		
On account of contracts for construction of Indian Troop Transports - - - -		569,626 9 5		
India Overland Troop Transport Service - - - -		3,885 7 5		
Purchase of horses - - - -		7,476 11 6		
Cost of education of officers and cadets at Chatham and Sandhurst - - - -		9,219 - -		
Cost of education and pay of Assistant Surgeons at Netley, and allowances and passage to India on appointment - -		9,890 15 2		
Purchase by the Bombay Government of two vessels of the late Anglo-Chinese Squadron, and Stores - - - -		11,882 11 7		
Miscellaneous - - - -		1,943 5 3		
		1,780,500 14 10		
Stores - - - -		556,062 6 5	2,336,563 1 3	
<i>Non-Effective:</i>				
The Imperial Government on account of retired pay, &c., of troops serving or having served in India (Act 25 & 26 Vict. c. 27) - - - -		210,000 - -		
Retired pay, including colonels' allowances - - - -		747,261 11 7		
Lord Clive's Fund pensions -		91,583 3 2	1,048,844 14 9	
			3,385,407 16 -	
PUBLIC WORKS:				
Kurrachee Harbour engineering expenses - -		678 15 4		
Godavery Navigation Works, expenses in connection therewith - - - -		118 - 3		
		796 15 7		
Stores - - - -		66,338 2 1	67,134 17 8	
INTEREST ON DEBT:				
Loans Contracted in England:		£. s. d.		
East India Bonds - - -		176,682 10 -		
India Debentures - - -		222,285 - -		
India 5 per cent. stock - -		833,505 - -		
India 4 per cent. stock - -		48,220 - -		
Temporary Loans - - -		25,000 - -	1,306,292 10 -	
Dividends on the Indian Transfer Loan - - -		33,490 2 4		
Dividends to proprietors of East India Stock - - -			1,339,782 12 4	
			629,970 1 6	
			6,422,707 4 4	6,814,468 14 1
Carried forward - - - £.				6,964,468 14 1

No. 1.—AN ACCOUNT of the Receipts and Disbursements of the Home

RECEIPTS—continued.

Brought forward - - -

£.	s.	d.
19,231,382	10	10

£.	19,231,382	10	10
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India Office, 10 December 1867.

Having examined the Receipts and Disbursements of the Home Treasury of the Government of India for the Vict. c. 106, that no sums of money arising out of the revenues of India have been appropriated to any other purposes all sums of money, stores, and property are brought to account and appropriated in conformity with the provisions of the vouchers, documents, and authorities having relation thereto are complete and satisfactory.

India Audit Office, 9 January 1868.

Treasury of the Government of *India*, from 1st May 1866 to 31st March 1867—*continued*.

	£.	s.	d.
Brought forward - - -	6,964,468	14	10
DISBURSEMENTS—continued.			
Guaranteed Interest on the Capital of Railway and other Companies under their respective Deeds of Contract, including Interest on Debenture Bonds :			
	£.	s.	d.
Bombay, Baroda, and Central India Railway Company - - - -	285,785	9	-
Calcutta and South Eastern Railway Company - - - -	23,472	15	10
Eastern Bengal Railway Company - - - -	74,321	5	9
East Indian Railway Company - - - -	1,212,157	16	1
Great Indian Peninsula Railway Company - - - -	700,231	13	8
Great Southern of India Railway Company - - - -	46,338	17	8
Madras Railway Company - - - -	388,459	1	9
Scinde Railway Company (including Indus Flotilla, and Punjaub and Delhi Railways) - - - -	265,073	8	7
Madras Irrigation and Canal Company - - - -	47,838	-	10
	3,043,678	9	2
Disbursements affecting the Remittance Account between England and India :			
Payments on account of Civil, Military, and other Provident Funds - -	497,866	17	-
Indian Annuity Funds; Civil Service Annuities payable in England - -	244,578	5	3
Her Majesty's Postmaster General, on account of Postage collected in India - - - -	47,435	18	4
Family Remittances, Remittances by Administrators General, &c. - -	303,247	6	10
Prize Money - - - -	57,999	10	11
	1,151,127	18	4
Indian Railway and other Guaranteed Companies, on account of Stores, Establishment Charges, &c. :			
Bombay, Baroda, and Central India Railway Company - - - -	346,471	16	5
Calcutta and South Eastern Railway Company - - - -	89,394	7	5
Eastern Bengal Railway Company - - - -	186,888	16	9
East Indian Railway Company - - - -	1,044,841	1	5
Great Indian Peninsula Railway Company - - - -	967,039	19	-
Great Southern of India Railway Company - - - -	95,780	16	11
Madras Railway Company - - - -	334,664	17	8
Scinde Railway Company (including Indus Flotilla, and Punjaub and Delhi Railways) - - - -	902,657	11	8
Madras Irrigation and Canal Company - - - -	5,588	14	10
	3,973,328	2	1
	15,132,603	4	5
Balance on 31st March 1867 - - - -	4,098,779	6	5
£.	19,231,382	10	10

William G. Goodliffe, Accountant General.

period from the 1st May 1866 to 31st March 1867, I beg to certify, in terms of the 52nd section of the Act 21 & 22 than those of the Government of India, to which alone by the above Act they are declared to be applicable, and that the Act, and have been expended under the proper authority of the Secretary of State for India in Council, and that

G. J. Jameson, Major General, Auditor.

— No. 2. — - - - -

AN ESTIMATED ACCOUNT of the RECEIPTS and DISBURSEMENTS of the HOME

R E C E I P T S :					£.
Balance 1st April 1867 - - - - -					4,098,779
India 4 per Cent. Stock, sale proceeds - - - - -					1,164,407
Loan to Indian Branch Railway Company, repaid - - - - -					60,000
R E C E I P T S O N A C C O U N T O F R E V E N U E :					
Telgraph :					
Indo-European Telegraph: Amount received from the Ottoman Government in adjustment of accounts with that Government for telegraphic messages - - -					£. 26,916
Miscellaneous :					£.
Interest realised from investment of cash balance, &c. - - - - -				27,814	
Fees, subscriptions to Widows' Funds, &c. - - - - -				11,304	
On account of maintenance of lunatics - - - - -				557	
The War Office: Third instalment of purchase-money, and rent to 1st May 1867, of Warley Barracks - - - - -				15,776	
Portion of purchase-money of land at Poplar, contracted to be sold to the Poplar Board of Works - - - - -				4,000	
Fines, sale proceeds of surplus books, unserviceable stores, &c. - - - - -				2,001	
					61,452
Army :					
Proceeds of sales of unserviceable stores - - - - -				16,175	
Passage of officers and troops - - - - -				218	
India Overland troop transport service - - - - -				8	
					16,401
Receipts affecting the Remittance Account between England and India :					104,769
From Her Majesty's Treasury and other Public Departments :					
In repayment of advances in India on account of the emigration of coolies - - - - -				34,852	
In repayment of expenses of Madras troops employed at Labuan - - - - -				11,187	
In repayment of pensions paid in India to out-pensioners of Chelsea Hospital - - - - -				11,735	
In repayment of supplies to Her Majesty's ships on the East India Station - - - - -				76,198	
In repayment of advances in India to officers in charge of Treasury Chests in China - - - - -				119,750	
					253,722
Subscriptions to the Civil, Military, and other Provident Funds - - - - -				73,766	
Miscellaneous - - - - -				9,299	
Amount received from Her Majesty's Treasury in part re-payment of Disbursements in England and in India on account of the Abyssinian Expedition - - - - -				1,000,000	
					1,836,787
Amount received for Bills of Exchange on India - - - - -					4,187,284
Carried forward - - - - -					£. 10,902,026

— No. 2. —

TREASURY of the GOVERNMENT of *India*, from 1st April 1867 to 31st March 1868.

DISBURSEMENTS.	£.	£.	£.	£.
India 4 per Cent. Debentures paid off - - -	- -	- -	- -	500
CHARGES CONNECTED WITH THE COLLECTION OF THE REVENUES AND DIRECT CLAIMS THEREON:				
Stamps, stores - - - - -	- -	27,523		
Mint, stores - - - - -	- -	52,946		
POST OFFICE:				
Amount payable under the postal arrangement with the Lords of Her Majesty's Treasury -	42,179			
Subsidy to the Euphrates and Tigris Steam Navigation Company on account of the Mail Service between Bussorah and Bagdad - -	4,800			
	46,979			
Stores - - - - -	9,770	56,749		
TELEGRAPH:				
Red Sea and India Telegraph - - - -	18,027			
Malta and Alexandria Telegraph - - -	316			
Indo-European Telegraph - - - -	8,794			
	27,137			
Stores - - - - -	90,997	118,134		
Allowances and Assignments under Treaties and Engagements:				
His Highness Maharajah Dhuleep Sing - -	- -	19,879		
			275,231	
CHARGES ON THE REVENUES:				
Administration and Public Departments:				
Home Establishment: Salaries of the Secretary of State, Under Secretaries of State, Members of the Council of India, Secretaries and Officers of the Secretary of State for India in Council, Assistant Military Secretary to His Royal Highness the Commander in Chief and Clerk, Assistant to Director of Transports at the Ad- miralty, and two Members of the London Medical Board - - - - -	125,765			
Auditor and Assistants, under 21 & 22 Vict. c. 106, s. 52 - - - - -	2,505			
Stores Department: Wages of Labourers, Cart- age, Lighterage, Dock Dues, &c. - - -	22,204			
Law Charges - - - - -	5,195			
Bank of England and Bank of Ireland for Management of Debt - - - - -	11,756			
Postage of Despatches to and from India - -	5,626			
Office Contingencies: Rent, Rates, Taxes, Coals, Gas, Candles, Furniture and Repairs, Stamps, Advertisements, Postage, and various petty charges - - - - -	20,090	193,141		
Carried forward - - - £.		193,141	275,231	500

No. 2.—AN ESTIMATED ACCOUNT of the Receipts and Disbursements of the Home

		£.
Brought forward - - -		10,902,026
RECEIPTS— <i>continued</i> .		
Indian Railway and other Guaranteed Companies :	£.	
Instalments of Capital, under their respective Deeds of Contract :		
Bombay, Baroda, and Central India Railway Company - - - -	952,135	
Eastern Bengal Railway Company - - - - -	526,170	
East Indian Railway Company - - - - -	2,014,704	
Great Indian Peninsula Railway Company - - - - -	2,065,166	
Great Southern of India Railway Company - - - - -	322,200	
Madras Railway Company - - - - -	1,189,415	
Scinde Railway Company (including Indus Flotilla and Punjaub and Delhi Railways) - - - - -	1,605,567	
Oude and Rohilkund Railway Company - - - - -	409,219	
Madras Irrigation and Canal Company - - - - -	892	
		9,085,468
Carried forward - - - £.		19,987,494

Treasury of the Government of *India*, from 1st April 1867 to 31st March 1868—*continued*.

		£.	£.	£.
Brought forward - - -		193,141	275,231	500
DISBURSEMENTS— <i>continued</i> .				
CHARGES ON THE REVENUE OF INDIA— <i>continued</i> .				
Marine Charges :	£.			
Pensions and retired allowances - - -	52,910			
Furlough and absentee allowances - - -	1,680			
Commutation of pensions of officers of the late Indian Navy - - - - -	5,824			
	60,414			
Stores - - - - -	108,221			
Stationery and Printing :		168,635		
Stationery, printing, and bookbinding - - -	3,990			
Stores - - - - -	32,467			
		36,457		
Political Agencies and other Foreign Services :				
Mission to the Court of Persia - - - -	12,000			
Her Majesty's Establishments in China - - -	23,554			
		35,554		
Miscellaneous :				
New India Office - - - - -	90,281			
Purchase of land for improving the site of the India Office and the approaches thereto - - -	1,089			
Entertainment at the India Office to his Highness the Sultan - - - - -	11,513			
East India Company, for expenses in respect of their capital, stock, and dividends - - -	2,840			
Examination, expenses, and allowances of candidates for the Civil Service of India, the Indian Telegraph Department, and Civil Engineers -	22,775			
Passage and outfit of the Commander in Chief at Madras, Chaplains, Professors, Schoolmasters, Civil Engineers, &c. - - - - -	14,453			
Expenses on account of officers acquiring scientific knowledge - - - - -	3,113			
Agents at the outports and abroad; salaries and expenses - - - - -	1,485			
Maintenance of lunatics - - - - -	7,733			
Transport of convicts from India to Western Australia - - - - -	507			
Subscriptions to charities - - - - -	720			
Indian Law Commission - - - - -	3,038			
Expenses in connection with the introduction of Cinchona plants into India - - - - -	489			
Cost of medals - - - - -	316			
Books and newspapers supplied to India - - -	883			
Books and maps relating to India - - - -	371			
Advances of pay, &c. - - - - -	2,689			
Expenses connected with the exhibition of Indian fabrics at the Paris Exhibition - - - - -	885			
Ditto Dublin Exhibition - - - - -	660			
Ditto New Zealand Exhibition - - - - -	100			
Cost of articles purchased for Sir Jamsetjee Jeejeebhoy's School of Art Exhibition at Bombay -	462			
Grant to Rev. H. Moule in consideration of the benefits obtained by the adoption of his dry earth sewage system in India - - - - -	500			
Cost of a Museum of Fossils, &c., sent to India, including 500 l. expense of packing - - -	2,900			
Expenses in connection with Dr. John Forbes Watson's work on the Textile Manufactures and Costumes of the People of India - - - -	104			
Expenses connected with the extension of the Order of the Star of India - - - - -	47			
Cost of 500 bushels of Carolina seed rice, purchased for shipment to India - - - - -	488			
Allowances to officers for special services; cost of instruments and passage to India of non-commissioned officers of Royal Engineers to be employed on observations connected with the total solar eclipse in India in 1868, &c. - -	3,578			
	174,019			
Stores - - - - -	2,130			
		176,149		
Carried forward - - - £.		609,936	275,231	500

No. 2.—AN ESTIMATED ACCOUNT of the Receipts and Disbursements of the Home

RECEIPTS—*continued.*

Brought forward - - -

£.
19,987,494

C arried forward - - - £.

19,987,494

Treasury of the Government of India, from 1st April 1867 to 31st March 1868—*continued.*

Brought forward - - -		£. 609,936	£. 275,231	£. 500
DISBURSEMENTS— <i>continued.</i>				
CHARGES ON THE REVENUES OF INDIA— <i>continued.</i>				
Superannuation, Retired, and Compassionate Allowances :				
Pensions and retired allowances - - - -	£. 218,825			
Compensation pensions to officers and petty officers, &c. of the Maritime Service of the East India Company	15,158			
Poplar Fund Pensions - - - -	2,768			
Annuities of the Madras Civil Fund of 1800, 1814, 1818 - - - -	2,789			
Annual donation to Bengal Civil Fund - - - -	2,500			
Gratuities and relief to distressed natives of India -	2,634			
Civil, furlough, and absentee allowances - - - -		244,664 99,159		
ARMY :				
<i>Effective.</i>				
The Imperial Government for Troops	£.			
serving in India - - - -	738,620			
Furlough allowances - - - -	238,573			
Passage of officers and troops - - - -	159,646			
On account of contracts, for construction of Indian troop transports - - - -	272,204			
India Overland Troop Transport Service	144,735			
Purchase of horses - - - -	5,081			
Cost of education of officers and cadets at Chatham and Sandhurst - - - -	9,684			
Cost of education and pay of assistant surgeons at Netley, and allowances and passage to India on appointment	9,798			
Royal Victoria Hospital at Suez, con- struction - - - -	29,410			
Miscellaneous - - - -	5,119			
	1,612,870			
Stores - - - -	751,260	2,364,130		
<i>Non-effective.</i>				
The Imperial Government on account of retired pay, &c. of troops serving, or having served, in India (Act 25 & 26 Vict. c. 27) - - - -	220,500			
Retired pay, including colonels' allow- ances - - - -	750,806			
Lord Clive's Fund Pensions - - - -	141,742			
Lord Clive's Fund: payment to repre- sentatives of Lord Clive - - - -	23,079	1,136,127		
		3,500,257		
PUBLIC WORKS :				
Kurrachee Harbour, engineering expenses - - - -	12			
Payment to patentees for use of patent in construction of Hydraulic Graving Dock for Bombay Harbour -	2,000			
Payment to architect for designs for proposed new Custom House at Bombay - - - -	2,931			
	4,943			
Stores - - - -	76,045	80,988		
INTEREST ON DEBT :				
Loans contracted in England :	£.			
East India Bonds - - - -	200,000			
India Debentures - - - -	249,850			
India 5 per cent. stock - - - -	855,000			
India 4 per cent. stock - - - -	97,640			
Temporary Loans - - - -	50,000	1,452,490		
		64,351		
Dividends on the India Transfer Loan - - - -		1,516,841		
Dividends to Proprietors of East India Stock - - - -		629,970		
		6,681,815		
			6,957,046	
				6,957,546
Carried forward - - - £.				

No. 2.—AN ESTIMATED ACCOUNT of the Receipts and Disbursements of the Home

Treasury of the Government of India, from 1st April 1867 to 31st March 1868—continued.

Brought forward - - -		£.	6,957,540
DISBURSEMENTS—continued.			
Guaranteed Interest on the Capital of Railway and other Companies, under their respective Deeds of Contract, including Interest on Debenture Bonds :			
		£.	
Bombay, Baroda, and Central India Railway Company - - - - -		336,763	
Calcutta and South Eastern Railway Company - - - - -		21,500	
Eastern Bengal Railway Company - - - - -		106,685	
East Indian Railway Company - - - - -		1,335,149	
Great Indian Peninsula Railway Company - - - - -		813,290	
Great Southern of India Railway Company - - - - -		53,878	
Madras Railway Company - - - - -		423,984	
Scinde Railway Company (including Indus Flotilla and Punjab and Delhi Railways)		329,478	
Oude and Rohilkund Railway - - - - -		23,743	
Madras Irrigation and Canal Company - - - - -		49,847	
			3,494,317
DISBURSEMENTS AFFECTING THE REMITTANCE ACCOUNT BETWEEN ENGLAND AND INDIA :			
		£.	
Payments on account of Civil, Military, and other Provident Funds - - - - -		589,440	
Indian Annuity Funds, Civil Service Annuities, payable in England - - - - -		243,105	
Her Majesty's Postmaster General, on account of Postage collected in India - - - - -		38,525	
Family remittances, remittances by Administrators General, &c. - - - - -		404,693	
Prize money - - - - -		236,162	
Disbursements on account of the Abyssinian Expedition, repayable by the Imperial Government - - - - -		109,828	
Specie remitted to the Political Agent at Aden and to the Commanding Officer at Zoulla, for the purposes of the Abyssinian Expedition, and charges thereon - - - - -		855,824	
			2,477,577
Indian Railway and other Guaranteed Companies, on account of Stores, Establishment Charges, &c. :			
		£.	
Bombay, Baroda, and Central India Railway Company - - - - -		246,912	
Calcutta and South Eastern Railway Company - - - - -		3,038	
Eastern Bengal Railway Company - - - - -		177,879	
East Indian Railway Company - - - - -		1,164,511	
Great Indian Peninsula Railway Company - - - - -		1,454,227	
Great Southern of India Railway Company - - - - -		44,430	
Madras Railway Company - - - - -		392,770	
Scinde Railway Company (including Indus Flotilla and Punjaub and Delhi Railways) - - - - -		539,273	
Oude and Rohilkund Railway Company - - - - -		70,930	
Madras Irrigation and Canal Company - - - - -		131,075	
			4,225,045
			17,154,485
Balance on 31st March 1868 - - - - -			2,833,009
		£.	19,987,494

— No. 3. —

AN ACCOUNT of the DEBTS and CREDITS in *England* of the GOVERNMENT of *India*,
on 31st March 1868.

DEBTS.			
East India Bonds:			
Bonds bearing interest at 5 per cent. to 31st May 1868, and at 3 and 4 per cent. afterwards	£.	£.	
	4,000,000		
Bonds not bearing interest	20,917		
	4,020,917		
Add—Bonds issued as security for temporary loans to the like amount	1,000,000		5,020,917
Five per cent. Debenture Loan, capital of the loan			4,997,500
Five per cent. Stock, capital of the stock			17,100,000
Four per cent. Stock ditto			3,600,000
Dividends on the capital stock of the East India Company unclaimed			10,991
Amount owing for export stores and miscellaneous claims			72,176
Imperial Government: Admiralty and War Office claims			104,539
Unclaimed prize-money, applicable to Lord Clive's Fund (Acts 1 & 2 Geo. 4, c. 61; and 9 Geo. 4, c. 50)			48,146
	£.		
Poplar Fund, including unclaimed wages of seamen, &c.	216,727		
Unclaimed prize-money, applicable to Poplar Fund (Acts 1 & 2 Geo. 4, c. 61; and 9 Geo. 4, c. 50)	27,450		244,177
Bills of exchange from India, unpaid			1,912
Indian Railway and other Guaranteed Companies; Amount remaining in the Home Treasury to the credit of the following Companies, after deducting sums drawn in India (partly estimated) in excess of Capital paid into the Indian Treasuries:	£.		
East Indian Railway Company	75,121		
Madras Railway Company	764,479		
Great Indian Peninsula Railway Company	633,594		
Bombay, Baroda, and Central India Railway Company	163,038		
Eastern Bengal Railway Company	183,212		
Oude and Rohilkund Railway Company	381,230		
Deduct—Amount due by the undermentioned Companies on account of Payments (partly estimated) in excess of Receipts in England and in India:	2,200,674		
Scinde Railway Company (including Indus Flotilla and Punjaub and Delhi Railways)	£.		
	515,345		
Calcutta and South Eastern Railway Company	173,892		
Great Southern of India Railway Company	4,077		
Madras Irrigation and Canal Company Loan Account	130,000		
	823,314		1,377,360
	£.		32,577,718
CREDITS.			
Cash			2,833,009
Military and other public stores remaining unshipped			83,227
Computed Value of Buildings and Land; viz.—	£.		
New India Office	460,000		
Land for improving the site of the India Office and the approaches thereto	70,000		
Warley Barracks, near Brentwood, Essex (residue of purchase money payable by the War Office)	15,000		
Store Department, Belvedere-road, Lambeth	60,000		
			605,000
Indian Railways, &c.; amount of interest paid in England and in India on capital of Railway and other Guaranteed Companies, under their respective deeds of contract, deducting therefrom the amount received in India (partly estimated) applicable to the repayment of such interest			12,465,349
	£.		15,986,585
Brought down, Amount of Debts	£. 32,577,718		
Ditto ditto Credits	15,986,585		
Debts in Excess	£. 16,591,133		

The above, on the one hand, is exclusive of the amount owing to Proprietors of India Stock for their capital; and on the other hand, of the Guarantee or Security Fund, formed under the provisions of the Act 3 & 4 Will. 4, c. 85.

— No. 4. —

A LIST of the ESTABLISHMENT of the SECRETARY of STATE in COUNCIL of *India*, and of the SALARIES and ALLOWANCES payable in respect thereof, on 31st March 1868.

	Number.	Salaries and Allowances.		
		£.	s.	d.
Secretary of State, Under Secretaries of State, Assistant Under Secretary of State, and Members of Council - - - - -	19	28,450	-	-
Correspondence Department: consisting of sixty-three officers and clerks, including Private Secretary to Secretary of State - - - - -	63	35,858	-	-
Record and Statistical Department: consisting of one officer and one assistant - - -	2	2,100	-	-
Military Funds Department: consisting of nine officers and clerks, exclusive of director, who receives no salary for this office - - - - -	9	2,240	-	-
Registry and Despatch Department: consisting of seventeen officers and clerks - - -	17	5,960	-	-
Accountant General's Department: consisting of twenty-five officers and clerks - - -	25	11,742	-	-
Store Department: consisting of thirty-one officers and clerks, and twenty examiners and assistant examiners of stores - - - - -	51	16,100	-	-
Miscellaneous Departments: consisting of Government Director of Indian Railway Companies; Librarian and assistant; Reporter of the Products of India and Keeper of the Museum, two assistants and two sub-assistants; two Members of Medical Board for the examination of officers of the Indian services; Standing Counsel, Solicitor, Geographer, Clerk of the Works, Draughtsman and Clerk to ditto, Keeper of the Records, and Lithographic Printer - -	17	8,540	-	-
Office-keepers, hall porters, and messengers - - - - -	66	5,840	-	-
Superintendent of charwomen, charwomen and housemaids - - - - -	32	1,348	-	-
Artisans and labourers - - - - -	12	1,005	-	-
Portion of the former establishment of the Board of Control, retained at the office in Cannon Row, in charge of papers, consisting of one officer, messenger, housekeeper, and charwoman - -	4	396	-	-
	317	119,579	-	-
Labourers in the Department of the Director General of Stores - - - - -	136	8,434	-	-
	453	128,013	-	-
Allowances payable to clerks and labourers temporarily employed - - - - -		£. 2,756	-	-

Note.—A revised scheme for the Establishment of the Secretary of State for India in Council was approved by Her Majesty in Council on the 3rd August 1867. *Vide* Sessional Paper, No. 522, August 1867.

— No. 5. —

AN ACCOUNT of New or Increased SALARIES, ESTABLISHMENTS, or PENSIONS, granted or created in *Great Britain*, between 1st April 1867 and 31st March 1868.

SALARIES.	AMOUNT PER ANNUM.		
	£.	s.	d.
Mr. Henry C. G. Bedford, chief clerk, Stores Department, personal allowance - - -	100	-	-
Mr. Thomas Pakeman, senior clerk - - ditto - - ditto - - - - -	50	-	-
ESTABLISHMENTS.			
Mr. James S. Bailey, Keeper of Records, Military Department - - - - -	150	-	-

No. 5.—An Account of New or Increased Salaries, &c.—*continued*.

PENSIONS.	AMOUNT PER ANNUM.		
	£.	s.	d.
Captain H. L. Higginson, a subsistence allowance on retirement - - - - -	50	-	-
Mr. G. Holland, late Bengal Artillery, a subsistence allowance - - - - -	50	-	-
Mrs. Eliza Hough, widow of the late Mr. G. Hough, Director of Public Instruction, British Burmah, a pension for herself and her daughter, in consideration of her husband's eminent services - - - - -	98	8	-
Captain A. D. Jennings, late Bengal Cavalry, a subsistence allowance - - - - -	50	-	-
Mrs. Ellen C. Lee, widow of the late Lieutenant H. C. Lee, pension increased from 40 l. to - - - - -	60	-	-
Mr. W. Lines, late Lithographer at India Office, a special pension in consideration of long service - - - - -	120	-	-
Captain Robert Locke, late Embarkation Officer of the India Office, compensation allowance on abolition of his office - - - - -	250	-	-
Mrs. E. A. Mayne, widow of the late Major Robert Mayne, a pension for herself and seven children, in consideration of the death of her husband from illness contracted on field service in Bhotan - - - - -	246	-	-
Commander P. W. Mitcheson, late of the Indian Navy, a special pension in consideration of good services and loss of a leg in action - - - - -	100	-	-
Mr. J. B. Semler, late Conductor in Indian Navy, compassionate allowance in consideration of his long service - - - - -	48	-	-
Mrs. A. F. Winsor, widow of Henry Winsor, late Messenger in the India Office, compassionate pension in consideration of her large family and destitute condition - - - - -	15	12	-

— No. 6. —

ALLOWANCES, COMPENSATIONS, and SUPERANNUATIONS, granted between 1st April 1867 and 31st March 1868, under Act 21 & 22 Vict. c. 106.

NAME.	OFFICE.	Period of Service.	Age.	Salary and Allowances.			Annual Pension.		
		Years.	Years.	£.	s.	d.	£.	s.	d.
Mr. John Charles Mason -	Secretary, Marine Department.	50	69	1,430	-	-	1,430	-	-
Mr. Edmund D. Bourdillon -	Secretary, Public and Ecclesiastical Department.	39	55	1,200	-	-	1,000	-	-
Hon. Gerald N. Dillon -	Assistant Secretary, Marine Department.	24	43	900	-	-	700	-	-
Mr. George E. Cochrane -	Assistant Secretary, Military Department.	42	56	1,000	-	-	1,000	-	-
Mr. Henry C. Deedes -	Assistant Secretary, Public and Ecclesiastical Department.	25	45	900	-	-	700	-	-
Mr. Josceline Courtenay -	Assistant Secretary, Judicial Department.	25	42	875	-	-	700	-	-
Mr. John E. Boucher -	Chief Clerk, Pay Branch, and Cashier, Accountant General's Department.	40	56	1,000	-	-	900	-	-
Mr. Clifford Craufurd -	Chief Clerk, Examination of Claims Branch, Accountant General's Department.	40	61	850	-	-	800	-	-
Mr. William Downing -	Keeper of India Office Museum.	32	54	500	-	-	375	-	-
Mr. William V. Andrews -	Junior Clerk, Marine Department.	11	31	303	-	-	202	-	-
Isaac Voysey -	Messenger, India Office -	22	58	100	-	-	66	13	4
Robert Brown -	Ditto - ditto -	25	48	104	5	-	69	10	-
Frederick Pulman -	Messenger, India Museum	24	53	120	-	-	80	-	-
Mr. John E. Brewer -	Copying Clerk -	-	-	-	-	-	Gratuity. 1,000 - -		

— No. 7. —

COMPENSATIONS granted to the Families of DECEASED OFFICERS of the East India Company's late Maritime Service, in the form of Annuities, between 1st April 1867 and 31st March 1868, under Act 3 & 4 Will. 4, c. 85.

N A M E.	Date of Grant.	Annual Pension.	
		£. s. d.	
Mrs. M. A. Dudman, widow of captain - -	1 Aug. 1867	40 - -	} During widowhood.
Mrs. E. J. Daniell - - ditto - - -	8 Aug. 1867	100 - -	
Mrs. A. M ^c Allan, widow of surgeon's mate -	3 Oct. 1867	28 - -	
Mrs. L. Cragg, widow of purser - - -	26 Mar. 1868	40 - -	

India Office, }
9 May 1868. }

William G. Goodliffe,
Accountant General.

No. 8.

A COMPARISON OF THE ESTIMATED AND ACTUAL RECEIPTS AND DISBURSEMENTS OF THE HOME TREASURY OF THE GOVERNMENT OF INDIA FOR 1866-67 (BEING FOR THE ELEVEN MONTHS FROM 1ST MAY 1866 TO 31ST MARCH 1867).

	Estimate of February 1867.	Account.	Increase.	Decrease.
Receipts - - - - -	-	£. 10,989,988	£. 1,449,286	£. -
Disbursements - - - - -	-	11,177,180	-	17,905

	1866-67.		Increase.	Decrease.	EXPLANATION OF INCREASE OR DECREASE.
	Estimate of February 1867.	Account.			
India 5 per cent. Stock, Sale proceeds - - - - -	£. 210,500	£. 569,662	£. 359,162	£. -	Increased in order to strengthen the Cash Balance.
India 5 per cent. Debentures, Sale proceeds - - - - -	223,200	221,167	-	2,033	Ditto - - ditto.
East India Bonds, Sale proceeds - - - - -	633,600	947,972	313,472	-	
Amount borrowed on security of East India Bonds - - - - -	1,000,000	1,000,000	-	-	
Miscellaneous : Interest realised from Investment of Cash Balance, &c. From the War Office, for second instalment of purchase-money of Warley Barracks	51,437 15,000	52,871 15,000	1,434 -	-	
Army: Proceeds of Sales of unserviceable Stores - - - - - Passage of Officers and Troops - - - - -	19,758 -	19,186 694	- 694	572 -	
RECEIPTS AFFECTING THE REMITTANCE ACCOUNT BETWEEN ENGLAND AND INDIA:					The increase arises mainly from recoveries on account of Bills drawn on the Government of India by the authorities in China, and on account of Advances in India for the Emigration of Coolies, &c.
From Her Majesty's Treasury and other Public Departments - - - - -	61,897	149,575	107,678	-	
Subscriptions to the Civil, Military, and other Provident Funds - - - - -	61,278	60,233	4,955	-	
Miscellaneous - - - - -	47,611	58,223	10,612	-	
INDIAN RAILWAY AND OTHER GUARANTEED COMPANIES: NET RECEIPTS:	1,855,654	2,807,426	951,772	-	The Estimates were framed on information received from the several railway companies.
Receipts - - - - -	-	-	-	-	
Withdrawals - - - - -	-	£. 6,780,754 3,973,398	-	-	
	£. 1,855,654	£. 2,807,426	-	-	
Bills of Exchange on India	5,917,670	5,613,746	-	303,924	Reduced in consequence of the augmented receipts from the railway companies.
Bullion received from India, Sale proceeds - - - - -	882,900	882,802	-	-	
TOTAL - - - - - £.	10,989,988	12,439,274	2	-	

DISBURSEMENTS:

DEBT PAID OFF:

India 4 per cent. Debentures paid off	-	-	-	-	-	90,000	90,000	-	-
Loan to Indian Branch Railway Company	-	-	-	-	-	60,000	60,000	-	-
	-	-	-	-	-	150,000	150,000	-	-

CHARGES CONNECTED WITH THE COLLECTION OF THE REVENUE, AND

DIRECT CLAIMS THEREON:

Stamps:

Stores - - - - - 3,741

Attributable to the steady increase in the demand for stamps.

Mint:

Stores - - - - - 5,877

The actual requisitions were less than the Estimate.

Post Office:

Amount payable under Postal Arrangement with the Lords of Her Majesty's Treasury	-	-	-	-	-	42,600	42,174	426	-
Subsidy on account of the Mail Service between Bussorah and Bagdad	-	-	-	-	-	3,600	4,200	-	-
Stores	-	-	-	-	-	7,188	5,139	2,049	-
	-	-	-	-	-			Ditto.	-

Telegraph:

Red Sea and India Telegraph	-	-	-	-	-	18,000	18,027	27	-
Malta and Alexandria Telegraph	-	-	-	-	-	209	209	-	-
Indo-European Telegraph	-	-	-	-	-	8,189	9,970	-	-
Stores	-	-	-	-	-	137,920	154,977	-	-
	-	-	-	-	-			The demands exceeded the Estimate.	-

C 4 Allowances and Assignments under Treaties and Engagements:

His Highness Maharajah Duleep Sing	-	-	-	-	-	33,687	33,167	520	-
	-	-	-	-	-	377,428	391,762	-	-

CHARGES ON THE REVENUES:

Administration and Public Departments: Home Establishments, &c.

The actual expenditure exceeded the Estimate, under Salaries, by 2,700*l.*; Office Charges, 2,720*l.*; and Charges of Stores Department, 2,300*l.*

Marine Charges:

Pensions and Retired Allowances	-	-	-	-	-	52,504	53,726	-	78
Furlough and Absentee Allowances	-	-	-	-	-	1,885	1,807	-	-
Commutation of Pensions of Officers of the late Indian Navy	-	-	-	-	-	580	580	-	-
Stores	-	-	-	-	-	107,933	128,572	-	-
	-	-	-	-	-			20,639	-

Consequent on large demands for moorings for Calcutta after the cyclone, and for a new dockyard, Bombay.

Stationery and Printing:

Stores	-	-	-	-	-	58,960	117,178	58,218	-
Other Payments	-	-	-	-	-	4,240	4,290	50	-

Consequent on large demands from Bengal, where the stock of stationery had been allowed to fall very low.

Political Agencies and other Foreign Services:

Mission to the Court of Persia	-	-	-	-	-	9,000	9,000	-	-
Her Majesty's Establishments in China	-	-	-	-	-	18,000	17,800	1,800	-
	-	-	-	-	-	427,602	517,182	-	-
Carried forward	-	-	-	-	-				£

DISBURSEMENTS,--continued.

	£.	£.	£.	£.	£.	* MISCELLANEOUS.	Estimate, 1866-67.	Account.
Miscellaneous:								
Stories	427,602	517,182	-	-	-	India Office	£.	£.
Other Payments	8,763	5,213	-	-	-	Purchase of Land for improving the site of the India Office	101,625	82,000 - -
	201,032	177,972	-	-	-	At the India Office	47,836	43,825 1 6
	320,000	221,440	-	-	-	Passage and outfit	9,572	9,042 13 5
Superannuation, Retired, and Compassionate Allowances	80,622	79,305	-	-	-	Examination expenses and allowances of candidates for Civil Service, &c.	11,887	13,459 14 5
Civil, Furlough, and Absentee Allowances	-	-	-	-	-	Maintenance of lunatics	7,733	7,761 16 5
	-	-	-	-	-	Extension of order of "Star of India"	5,618	5,618 7 6
	-	-	-	-	-	Sundries	16,771	15,564 10 1
	-	-	-	-	-		201,932	177,272 3 4
ARMY:								
Effective:								
The Imperial Government for Troops serving in India	740,000	675,000	-	-	-			An estimated balance of 80,000 l. remains due on account of the Capitation Rate. The charge is dependent on the furloughs granted, and the estimate was insufficient. Payments were not required as rapidly as had been anticipated.
Furlough Allowances	206,849	218,675	-	-	-			
Passage of Officers and Troops	227,431	272,901	-	-	-			
On account of Contracts for Construction of Indian Troop Transports	627,000	568,626	-	-	-			
India Overland Troop Transport Service	-	3,885	-	-	-			
Purchase of Horses	7,476	7,477	-	-	-			
Miscellaneous	24,565	32,936	-	-	-			
Stores	576,206	556,062	-	-	-			The sum of 8,124 l. was paid for the purchase of two vessels of the late Anglo-Chinese squadron, which was not provided for in the Estimate. The demands were less than had been anticipated.
Non-Effective:								
The Imperial Government, on account of Retired Pay, &c., of Troops serving or having served in India (Act 25 & 26 Vict. c. 27)	252,750	210,000	-	-	-			An estimated balance of 42,750 l. still remains payable.
Retired Pay, including Colonels' Allowances	738,941	747,262	-	-	-			In this period there were only three payments made to the War Office, instead of four, as estimated.
Lord Clive's Fund Pensions	108,849	91,583	-	-	-			The actual requisitions exceeded the Estimate.
Public Works:								
Stores	57,075	66,338	-	-	-			
Other Payments	797	797	-	-	-			
Interest on Funded and Unfunded Debt:								
Interest on Loans contracted in England	1,298,870	1,306,293	-	-	-			Half year's interest paid on additional India Bonds, 300,000 - - £. 7,500
Dividends on the Indian Transfer Loan	33,491	33,490	-	-	-			Less half year's interest on 3,000 l. India Five per cent. debentures unissued - - - - - 75
Dividends to Proprietors of East India Stock	629,070	639,570	-	-	-			£. 7,425
	6,468,289	6,422,707	-	-	-			
	3,041,598	3,043,678	-	-	-			
GUARANTEED INTEREST ON THE CAPITAL OF RAILWAY AND OTHER COMPANIES - AND INDIA:								
DISBURSEMENTS AFFECTING THE REMITTANCE ACCOUNT BETWEEN ENGLAND AND INDIA:								
Payment on account of Civil, Military, and other Provident Funds	483,488	497,867	-	-	-			
Indian Annuity Funds: Civil Service Annuitants payable in England	250,910	244,578	-	-	-			
Her Majesty's Postmaster General, on account of Postage collected in India	41,000	47,436	-	-	-			
Family Remittances, Remittances by Administrators General, &c.	293,467	303,247	-	-	-			
Prize Money	71,000	58,000	-	-	-			
	1,139,865	1,151,128	-	-	-			
	11,177,180	11,189,275	-	-	-			
	£.							

— No. 9. —

A COMPARISON OF THE ORIGINAL AND REGULAR ESTIMATE OF THE RECEIPTS AND DISBURSEMENTS OF THE HOME TREASURY OF THE GOVERNMENT OF INDIA FOR 1867-68.

	1867-68.		Increase.	Decrease.	EXPLANATIONS OF INCREASE OR DECREASE.
	Estimate of December 1866.	Estimate of May 1868, presented to Parliament.			
RECEIPTS.					
Loan to Indian Branch Railway Company repaid	-	-	-	-	
Indian 4 per cent. Stock, Sale Proceeds	-	-	-	-	
Telegraph:					
Indo-European Telegraph	24,000	26,916	2,916	-	
Miscellaneous:					
Interest realised from Investment of Cash Balance, &c.	56,000	41,676	-	14,324	
From the War Office, for third instalment of Purchase Money and Rent to 1st May 1867, of Wazley Barracks	15,000	15,776	776	-	
Proceeds of Sale of Land at Poplar	-	4,000	4,000	-	
Proceeds of Sale of Land in Charles-street, acquired under Act 28 Vict. c. 32	45,000	-	-	45,000	This sum is now estimated to be realised in 1868-69.
Army:					
Proceeds of Sales of Unserviceable Stores, &c.	6,000	16,401	10,401	-	
RECEIPTS AFFECTING THE REMITTANCE ACCOUNT BETWEEN ENGLAND AND INDIA:					
From Her Majesty's Treasury and other Public Departments	-	253,722	253,722	-	
Subscriptions to the Civil, Military, and other Provident Funds	62,000	73,766	11,766	-	
Miscellaneous	4,000	9,299	5,299	-	
From Her Majesty's Treasury on account of the Abyssinian Expedition	-	1,000,000	1,000,000	-	
INDIAN RAILWAY AND OTHER GUARANTEED COMPANIES:					
Receipts	-	-	-	-	
Withdrawals	-	-	-	-	
Net Receipts	4,180,000	4,800,423	671,423	-	
Bills of Exchange on India	7,200,000	4,137,284	-	3,062,716	
	11,601,000	11,663,670			

Superannuation, Retired, and Compassionate Allowances - - - - -	241,500	244,664	3,164	-	-	This charge is dependent on the number of absentees, which has been unusually large in 1867-68.
Civil Furlough and Absentee Allowances - - - - -	86,000	99,159	13,159	-	-	
ARMY :						
Effective :						
The Imperial Government, for Troops serving in India - - - - -	638,000	798,690	100,620	-	-	Increase due to payment of an outstanding balance.
Furlough Allowances - - - - -	210,000	238,573	28,573	-	-	Caused by increased number of absentees, and the higher rates of furlough pay consequent on recent extensive promotions.
Passage of Officers and Troops - - - - -	68,000	159,646	91,646	-	-	When the Estimate of December 1866 was framed much uncertainty existed in regard to the effect of the new transport system, and it now appears that the estimate was too low.
On Account of Contracts for Construction of Indian Troop Transports - - - - -	272,000	272,204	204	-	-	The Estimate was framed in communication with the Director of Transports.
India Overland Troop Transport Service - - - - -	100,000	144,795	44,795	-	-	A new charge. Ditto - - - ditto.
Royal Victoria Hospital at Suez : Construction - - - - -	-	29,410	29,410	-	-	
Purchase of Horses - - - - -	5,200	5,081	-	119	-	
Miscellaneous - - - - -	22,000	24,601	2,601	-	-	
Stores - - - - -	784,387	751,260	-	33,127	-	The demand has been less than was anticipated.
Non Effective :						
The Imperial Government on account of Retired Pay, &c., of Troops serving or having served in India (Act 25 & 26 Vict. c. 27) - - - - -	220,500	220,500	-	-	-	Consequent on higher rates of pension being granted to officers of long service.
Retired Pay, including Colonels' Allowances - - - - -	736,000	750,806	14,806	-	-	Provision has been made for the payment of an additional instalment of 18,500 l. to the War Office in the present year.
Lord Clive's Fund Pensions - - - - -	118,000	141,742	23,742	-	-	Not anticipated in first Estimate.
Lord Clive's Fund—Payments to Representatives of late Lord Clive - - - - -	-	23,079	23,079	-	-	
Public Works :						
Stores - - - - -	64,902	76,045	11,143	-	-	The following stores were applied for subsequently to the date of the first Estimate :—
Other Payments - - - - -	-	4,943	4,943	-	-	Hydraulic lift (first payment), 4,000 l. Bridge work, 3,000 l.
Interest on Funded and Unfunded Debt :						
Interest on Loans contracted in England - - - - -	1,421,145	1,452,490	31,345	-	-	{ Interest paid on additional India Bonds, 300,000 l. at 5 per cent. - - £. 15,000
Dividends on the Indian Transfer Loan - - - - -	68,000	64,351	-	3,649	-	{ " " 5 per cent. Stock, 329,900 l. at 5 per cent. 16,495
Dividends to Proprietors of East India Stock - - - - -	629,970	629,970	-	-	-	£. 31,495
Guaranteed Interest on the Capital of Railway and other Companies - - - - -	3,377,000	3,494,317	117,317	-	-	Much larger sums have been paid into this office by the several Companies in 1866-67 and 1867-68 than were anticipated.
DISBURSEMENTS AFFECTING THE REMITTANCE ACCOUNT BETWEEN ENGLAND AND INDIA :						
Payments on account of Civil, Military, and other Provident Funds - - - - -	556,000	589,440	33,440	-	-	
Indian Annuity Funds : Civil Service Annuities payable in England - - - - -	252,000	243,105	-	8,895	-	
Her Majesty's Postmaster-General, on account of Postage collected in India - - - - -	42,000	38,525	-	3,475	-	
Family Remittances, Remittances by Administrators General, &c. - - - - -	248,000	404,693	156,693	-	-	
Prize Money - - - - -	300,000	236,163	-	63,838	-	
Abyssinian Expedition : Stores and Freight - - - - -	-	109,828	109,828	-	-	
Purchase of Specie for the use of the Abyssinian Expedition - - - - -	-	855,824	855,824	-	-	
	1,398,000	2,477,577				
	11,479,715	12,929,440				
TOTAL - - - - - £.						

India Office, 11 May 1868.

T. L. Secombe, Financial Secretary.

EAST INDIA (HOME ACCOUNTS).

HOME ACCOUNTS

OF THE

GOVERNMENT OF INDIA.

(Presented pursuant to the Act 21 & 22 Vict. c. 106.)

*Ordered, by The House of Commons, to be Printed,
14 May 1868.*

65

EAST INDIA (CURRENCY).

RETURN to an Address of the Honourable The House of Commons,
dated 10 March 1868;—for,

“ COPY of the REPORT of the COMMISSION appointed by the Government of
India to consider the Question of the Currency.”

India Office, }
12 March 1868. }

T. L. SECCOMBE,
Financial Secretary.

C O N T E N T S.

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REPORT of the COMMISSION to inquire into the Operation of Act XIX. of 1861,
being an ACT “ to provide for a GOVERNMENT PAPER CURRENCY.”

RESOLUTION in the Financial Department by the Governor General in Council,
dated the 3rd February 1866.

READ again the following correspondence regarding the working of the
Paper Currency :—

From the Chamber of Commerce, dated 23rd January 1866.

To the Chamber of Commerce, No. 544, dated 1st February 1866.

From the Chamber of Commerce, dated 3rd February 1866.

The Governor General in Council observes that the memorial of the Chamber of Commerce is in consonance with the views which the Government had under consideration.

The sense of the commercial community as well as of the Government of India has been repeatedly declared in favour of a gold currency, but the Secretary of State has not as yet been satisfied that the attempt would be expedient or practicable. Instead of a gold a paper currency has been introduced, in the expectation that it would prove a more convenient and acceptable circulating medium than either of the precious metals.

After the experience of nearly five years, it is now desirable to enquire whether this expectation has been fulfilled. The enquiry should be, in the first instance, an enquiry into the operation of the Paper Currency Act, and not, as the Chamber of Commerce propose, an inquiry as to the expediency of introducing gold into the monetary system of India. It must be shown that paper has not proved and is not likely to prove a circulating medium adequate to the wants and suitable to the habits of the country before an endeavour is made to introduce gold in supersession of, or in addition to, paper.

The Governor General in Council has accordingly determined to appoint a Commission, consisting partly of official and partly of mercantile gentlemen, to inquire into, take evidence, and report upon the operation of the Paper Currency Act, upon any improved arrangements, including the introduction of

REPORT RELATING TO

notes of the denomination of five rupees, by which it could be rendered more effective, and upon any extension of the monetary system which the increasing commerce and prosperity of the country may seem to require. The Commission will be constituted as follows :—

President.

His Excellency General Sir W. R. Mansfield, K. C. B.

Members.

Honourable H. S. Maine.
Honourable W. Grey.
Honourable J. N. Bullen.
Honourable D. Cowie.
Mr. E. H. Lushington.
Mr. G. Dickson, Secretary, Bank of Bengal.
Mr. W. Anderson, Manager, Oriental Bank.
Mr. H. G. Dunlop, Manager, Agra and Masterman's Bank.

Secretary.

Mr. Denzil R. Onslow.

Ordered, that this resolution be communicated to the president and members of the Commission, and to the secretary of the Commission, and be published in the "Gazette of India."

(signed) *E. H. Lushington,*
Secretary to the Government of India.

MEMORANDUM by the Financial Member of Council.

THE Paper Currency Act came into operation in the summer of 1861; but, up to this time, the currency notes bear a very small proportion to the estimated amount of the metallic circulation.

The issue of paper has never exceeded 8,000,000 L., and at the date of the last return was under 7,000,000 L. This sum includes a large amount of notes which have been used for mercantile remittances, and have never formed part of the circulating medium.

The note circulation is principally confined to the area adjacent to the circles of issue. At a distance from the circles, the note ceases to pass current, and when it is not tendered in payment of a debt, it is usually cashed at a discount in the bazar.

The practical effect, therefore, of the existing provisions of the law is, that the currency note is a convenient substitute for a hoondee or inland bill of exchange, but fails to fulfill its legitimate function as a substitute for, and an auxiliary to, the metallic circulation.

The first named operation, though not one which a paper issue was intended to serve, is incidental to the system, and within moderate limits would hardly call for legislative redress, or even for administrative restraint. It is the congestion of the circulation at a distance from the circle of issue which requires a remedy, and it is to this point that the attention of the Commission will doubtless be principally directed.

The Government have no interest in forcing, nor any desire to force, a paper currency upon the people of India. Paper money, in combination with the precious metals, has long been in use among civilized nations, and has been found eminently conducive to the purposes of commerce, as well as to the ordinary transactions of business. The Government of India having thought fit to provide this accommodation for the people of India, feel bound to take care that it is not impeded by any obstacle which it may be in their power to remove. The Governor General in Council, therefore, in considering the present state of the currency, has deemed it expedient to invite the aid of a Commission composed partly of members of the administration and partly of gentlemen conversant with commercial and monetary affairs.

It seems to be clear that the existing arrangements of the currency circles in the

the mofussil do not afford the requisite facilities for the conversion of the note. A multiplication of the circles sufficiently extensive to meet this difficulty would, however, effectually put a stop to the circulation of the note, as it would be impracticable by any distribution of the coin reserve to make the note of a minor circle payable elsewhere than at the circle from which it was issued, or at the presidency town.

It may be doubted, indeed, whether a system of circles as established in India is fitted to promote a paper circulation; and whether it would not be better to have only one central office of issue and payment at each of the presidency towns. It is possible that arrangements might be made by which (in the absence of banks, which are the most appropriate agencies for such purposes) greater facilities might be afforded, by the aid of some of the local treasuries, for the conversion of a presidency note than is now provided by the circle system.

It is also a point well worthy of consideration whether it might not be expedient to issue a note of a lower denomination than 10 rupees. The original proposal of Mr. Wilson, with which the Secretary of State agreed, was to begin with notes of five rupees.

These seem to be the principal points which, as far as regards the paper currency, will probably engage the attention of the Commission. The regulations of a currency should be few and simple. The main condition of paper money is its convertibility, and this being ascertained, its circulation will be rather retarded than promoted by provisions for its convertibility at numerous stages of its progress. If paper is acceptable to the people as a substitute for coin, it will be adopted; if not, no regulations will force it into circulation.

It is probable, however, that the Commission may desire to pursue their inquiry into the expediency of giving a further development to the experiment which has been partially tried of introducing gold as part of the circulating medium. The proposal to receive the English and Australian sovereign at the rate of 10 rupees in payment of revenue at the Indian treasuries has resulted in the accumulation on the hands of the Government of a certain amount of gold coin for which there is no demand. But the failure of this half measure is no proof that a gold currency is not desired. For a series of years, the introduction, or rather the revival of gold as a circulating medium, has been urged upon the Government by various classes of the community. The increasing demand for Indian produce, the general extension of commerce, and the outlay of capital on works of internal improvement, render it more than ever necessary that further provisions should be made for an expanded circulation. Ample materials will be found in the discussions to which the proposal for the introduction of a gold currency has from time to time given rise for the considerations of this most important branch of the monetary question. Two points, however, may be considered as determined. The one is, that nothing short of the recognition of the sovereign, or some other denomination of gold coin as a legal tender, will suffice; and secondly, that the result of this recognition must be sooner or later the establishment of the more precious metal as the ruling standard.

2 February 1866.

W. N. Massey.

REPORT of the COMMISSION to inquire into the Operation of Act XIX. of 1861.

THE Commission have understood that the principal object set before them, under the orders of the Government of India, was to obtain information from all available sources regarding the operation of the existing currency arrangements which were established under Act XIX. of 1861.

2. A second matter was incidentally submitted to their consideration, viz., what may be the advantage, as based on expediency, of the introduction of the legal tender of gold into India in addition to that of silver.

3. Accordingly, with respect to these two points, an examination of such witnesses as were available at Calcutta in the spring of 1866, took place during that season. Series of questions were subsequently addressed to the several

governments, administrations, commissions, and collectorates throughout India, as also to the several banking corporations.

4. The result has been the collection of a very large mass of evidence, which is set out in full in the Addenda of this Report. A précis of the several sets of answers thus obtained is annexed.

5. The chief duty of the Commission may, perhaps, therefore, be held to have been performed in submitting to the Government of India the evidence thus collected.

6. This having been done, it seems convenient to show the general results. The questions, as above referred to, are accordingly set out with a brief epitome of the précis of the answers, it being observed that the depositions of the authorities consulted at Calcutta are corroborated in all essential particulars by the information obtained elsewhere.

*Circular to the Officers in charge of
Treasuries.*

Question No. 1. Are Government currency notes readily received and paid away by the native community at their full value in private monetary transactions?

Question No. 2. If not, what is the reason for their depreciation, and what is the average rate at which they are discounted?

Question No. 3. What facilities are afforded by officers in charge of Government treasuries for the exchange of currency notes for silver, and silver for notes?

Question No. 4. Are these facilities sufficient; if not, what means can you suggest for increasing them?

Epitome of Mr. Onslow's Précis.

Answer No. 1. A general negative, except in presidency towns and centres of note circulation.

Answer No. 2. Want of facilities for convertibility; distrust in the native mind; discount charged in the bazars at various rates by the shroffs when changing the notes for coin; if notes are lost or destroyed by accident, difficulty in obtaining duplicates. Silver and gold are preferred.

Answer No. 3. Notes generally given for cash; but the reverse does not take place, except for the convenience of travellers. At some stations, exceptionally as it were, cash is, however, given for notes. The rules issued by the Accountant General are followed. Notes are received in payment of land revenue. The supply of notes is too limited at some stations. It is also said that there are less facilities permitted now than was formerly the case,—*vide* Kistna, Oomrawuttee, Purneah.

Answer No. 4. That currency department and presidency banks be authorised to pay silver for notes; that notes of each separate circle should be payable on demand at any treasury within the circle; that present restrictions should be removed, so that notes may be issued and cashed at all British treasuries.

Some think that present facilities are sufficient. Officers should be permitted to cash notes to the extent to which their resources may permit. The establishment of offices of sub-issue would facilitate transactions,—*see* Bullooah. Notes should be declared legal tender in Candeish.

Restrictions with regard to notes being used for remittances should be removed.

Notes of low value should be freely cashed by treasurers. A maximum of notes in store might be fixed; when notes in store reach that maximum encashment to be refused,—*see* Ghazeepore.

Notes should be entrusted to tehseeldars for sale.

An universal note is advocated,—*see* Lul-lutpore. Would make Berar a centre of currency,—*see* Oomrawuttee. The Accountant General should cease from interference, and allow treasury officers more latitude,—*see* Purneah.

*Circular to the Officers in charge of Treasuries.**Epitome of Mr. Onslow's Precis.*

Question No. 5. Do you consider the present arrangement of circles, with a separate note for each circle, well calculated to promote the reception of a paper currency by the native population, and would you retain it?

Answer No. 5. The unanimity and the decision of the answer in the negative to this question is very remarkable.

Question No. 6. If not, would you propose to increase the number of circles (still retaining the plan of a separate note for each circle), and, if so, to what extent? Or, keeping the present number of main circles, would you establish offices of sub-issue at the chief local treasuries within each circle, where the note should be convertible on demand, as at the head office of issue of the circle?

Answer No. 6. Some would retain circles and establish offices of sub-issue, where notes could be cashed. Others think there should be one note convertible at every treasury. Others, that notes of inferior denomination should be convertible at all treasuries, but that notes of a high one should be only cashed in their own circle. Others, that there should be one note for each presidency cashable at all treasuries within the limits of the latter. Abolish the circles.

Notes of every circle should be payable on demand at the presidency towns, and at specified treasuries where trade exists. *See Poona.*

Question No. 7. Or would you prefer the plan of having one universal note for all India, to be convertible only at the presidency towns and at certain specified treasuries? Or is there any other plan you would recommend?

N.B.—In replying to these last three questions, please to state fully the grounds on which you give a preference to one plan rather than to the others, specially with reference to the important object of establishing a paper currency in the confidence and liking of the Natives.

Question No. 8. Would you propose a note of the value of five rupees, and if so, on what grounds?

Answer No. 8. Opinions much divided on this point, though the preponderance is somewhat in favour of a five-rupee note.

Question No. 9. Are you of opinion that the five-rupee note would have a larger currency than notes of a greater value?

Answer No. 9. Opinions evenly divided.

Question No. 10. Are notes used much by the shroffs and Native bankers for purposes of remittance?

Answer No. 10. Yes, at certain places and centres of commerce; but no, at the great majority of stations. The practice clearly depends on the convenience or possible profits of the Native bankers.

Question No. 11. Is it the practice of the shroffs and Native bankers to exact discount in all cases of cashing notes?

Answer No. 11. The answer in the affirmative is almost unanimous.

Question No. 12. Do the shroffs and Native bankers buy up the notes at a discount for the purpose of sending them to the head quarters of circles for encashment?

Answer No. 12. The answer is generally negative; but there are a few exceptions, which are not unimportant, and perhaps have caused the alarms of the Accountant General.

Question No. 13. Do the shroffs and Native bankers prefer the note to hoondees for purpose of remittance?

Answer No. 13. Answers negative, with very few exceptions.

Question No. 14. If your silver reserve runs very low, owing to a large number of currency notes being presented for cash, what facilities by rail or road have you for reinforcing the reserve, and to what department or treasury would you first apply?

Answer No. 14. For answers, see *precis*; each station having to answer with regard to its own facilities of communication with others.

Question No. 15. Has your treasury been unable to meet the public demand for paper currency in consequence of your indents for notes not having been complied with?

Answer No. 15. Answer generally negative; exceptions very rare.

*Circular to the Officers in charge of
Treasuries.*

Epitome of Mr. Onslow's Precs.

Question No. 16. If so, what reasons have been assigned for the refusal to comply with your indents?

Answer No. 16. In the very rare instances of the answers, cause referable to the Accountant General.

Question No. 17. What average value does the Government gold mohur bear in the bazars in your neighbourhood?

Answer No. 17. At par in many places; above par in many others; below par in a very few.

Question No. 18. What average value does the English sovereign bear in the bazars in your neighbourhood?

Answers Nos. 18 and 19. English sovereign at par at a certain number of places; above par at very many others; below par at a very few. Australian sovereign but little known; but apparently not taken with so much readiness as the English one.

Question No. 19. What average value does the Australian sovereign bear in the bazars in your neighbourhood?

Answers Nos. 20 and 21. Answer generally in the affirmative.

Question No. 20. Do you think that the coins above mentioned generally bear a higher value in mofussil bazars than in the presidency towns?

Question No. 21. If so, what is the cause?

Question No. 22. Are the people fond of gold for the purposes of hoarding and circulation?

Answer No. 22. Yes, generally for the purpose of hoarding, and merchants for that of circulation, or as an article of commerce.

Question No. 23. Would the Natives like a gold currency?

Answer No. 23. The affirmative answer may be said to be unanimous.

Question No. 24. Are gold coins of 15, 10, and 5 rupees likely to find more favour in their eyes than notes of like value?

Answer No. 24. The affirmative answer may be said to be unanimous.

Question No. 25. Would a gold currency help the establishment of a paper currency, gold being held as a reserve by traders and others, and the notes passing from hand to hand for circulation when people become accustomed to them?

Answer No. 25. Opinions generally affirmative.

Question No. 26. Would a gold currency assist the outlying treasuries in ensuring the convertibility of the note?

Answer No. 26. Opinions very generally affirmative.

Question No. 27. What is the opinion of large shroffs and dealers on currency? Do they prefer a silver currency alone, or silver and paper, as it at present exists, or silver, gold, and paper?

Answer No. 27. General preference of gold, silver, and paper almost unanimous.

Question No. 28. Does bar gold circulate in your neighbourhood; if so, how is its purity ensured?

Answer No. 28. Consult precis. Gold circulates apparently as an article of trade in a good many places, but is not treated as money under the existing laws.

Question No. 29. Are Native gold mohurs much used by Natives as means of currency in your neighbourhood?

Answer No. 29. Almost unanimous negative.

Question No. 30. State the names of the gold mohurs?

Answer No. 30. Refer to the precis. Although not much circulated, it is evident, from the answers to this question, that the practice of keeping gold as a reserve must be almost universal among all classes just raised above poverty.

Question No. 31. Do they pass for intrinsic value?

Answers Nos. 31 and 32. Generally for intrinsic value.

Question No. 32. Or do they bear an artificial value according to their respective denominations, or as proceeding from certain Native states?

Note.—This epitome gives the general conclusions of the answer to queries addressed to the other authorities to whom circulars were sent, as well as to the officers in charge of treasuries.

7. When it is considered that the answers shown in the epitome are the condensation of the observation and opinions of authorities exercising power, or discharging financial duties over every part of British India, the Commission feel justified in the inference that, in some instances, facts have been solidly established, and that in others of important character the unanimity of opinion, as based on personal observation, is a matter of extraordinary significance with respect to the wants of the country and the manner in which those wants may be met.

8. It thus appears—

- I.—That a Government paper currency, established under Act XIX. of 1861, has been in actual existence since 1st of March 1862 ;
- II.—That some of the circles have been but very recently established ;
- III.—That out of the presidency towns the people have not as yet been educated to the point of using a paper currency ;
- IV.—And, therefore, that its apparent failure, as generally deposed to, is not a sufficient reason for despairing of its gradual extension.

9. The Commission have not succeeded in obtaining accurate reports regarding the amount of capital, whether in shares or deposits, now held by the several British Banking Companies which are doing business in the presidencies and many mofussil cities in India. The amount of such capital, however, is now very considerable, and, notwithstanding the misfortunes of this year, it has a steady tendency to increase.

10. It is clear that in the great centres of commerce, whether on the seaboard or in the interior, the introduction of a sound and well-regulated system of banking not only familiarizes the people with the use of a paper currency, but largely promotes the distribution and utilization of capital.

11. As the community learn to appreciate the facilities afforded for conducting business by means of banking accounts, instead of locking up or secreting the money which comes into their possession, the economy, both in coin and notes, becomes apparent. It is believed that usages based on acquaintance with the European system of banking have taken a considerable hold of the inhabitants of the presidency towns, and that these usages are gradually, but slowly, spreading throughout the country.

12. The extensive use of cheques, which are adjusted in the accounts of the banks with one another in a great city, such as Calcutta or Bombay, affords a sufficient illustration of what has been adverted to.

13. The foregoing consideration may perhaps further explain how it comes that, with the vast increase of trade and available capital during the last few years, the demand for currency notes in the presidencies has remained in a quasi-stationary condition.

14. It may certainly be said—

- I.—That the want of facilities for the encashment of notes, whether in the circles proper, or when the boundary of a circle has been past, is clearly established ;
- II.—That this want is a great bar to the utility of the currency notes ;
- III.—That the want causes the notes to be depreciated at varying rates of discount ;
- IV.—That this causes the notes to be practically viewed as commercial paper ;
- V.—That the inevitable result in the native mind is not merely a sense of inconvenience, but a mistrust of the notes, based on an idea of substantial loss flowing from the use of them.

15. With such facts before them, the Commission feel considerable hesitation in expressing any further opinion ; the matter concerned being one to be practically dealt with by the Financial Department, whose proper function it is

to judge of the feasibility of many of the proposals laid before the Commission. This remark more especially applies to dealing with the cash balances, the feeding of treasuries, and the precautionary measures to be taken before any of the sweeping changes which seem to commend themselves to the great majority of the authorities consulted can with safety be adopted.

16. It may, however, perhaps be said that irrespectively of such sweeping changes, certain administrative improvements might take place which would have a beneficial effect. The aim of the Financial Department in the administration of the Act might be directed less to obtain profit from the paper currency than to devise practical measures for making it, as far as possible, subservient to the requirements and convenience of the public with a view to the introduction of a larger reform.*

17. Thus it might be expedient—

- 1st. To separate the office of Currency Commissioner of a Presidency from the Mastership of the Mint,—*vide* evidence of Major Hyde, Currency Commissioner and Master of the Mint at Calcutta;
- 2nd. To enjoin the extension of facilities for the encashment of all notes at all treasuries up to a given small amount, say 200 rupees;
- 3rd. To permit treasuries a larger discretion where this may be done without much chance of loss;
- 4th. To establish offices of sub-issue at such places as may be approved of by local Governments and Administrations for the purpose;
- 5th. To advise Accountants General not to exhibit too great a jealousy of remittances in notes,—*vide* the Memorandum of the Lieutenant Governor of Bengal on this subject.†

18. It is observed that there is a preponderance of opinion in favour of what is called the “Universal Note” if readily convertible.

19. The condition, however, of ready convertibility is the very difficulty with which the Government would have to cope,—

- I.—In meeting excessive demands on local treasuries;
- II.—In arranging for the supply of tehseels with coin;
- III.—In warding off a damaging run for coin on a great centre of issue, of which we have already had experience in Bombay; and
- IV.—In submitting to loss in consequence of the notes being largely used for remittance; or, in other words, being made a medium of exchange when a local market might be unfavourable for the purchase of ordinary bills or hoondees.

20. It is obvious that before such a change could be recommended, viz., the introduction of the “Universal Note,” a more detailed study of the subject is required than can be given it by the Commission. They would, therefore, content themselves with the remark that the project, though undoubtedly most difficult of execution, should by no means be dismissed summarily, but should receive the attention due to a very widely-spread opinion which rests besides on good authority, that in it alone can be found the means of giving reality to a Government paper currency in India.‡

21. The discussion which might be thus originated in the financial department would naturally comprehend the best available means of agency for circulation as distinguished from the right of issue, including the employment of the banks which has been discarded in accordance with the orders of the Secretary of

* See a Note from the Commissioner of Cooch Behar, dated 22nd February 1864; also communications from Mr. Probyn, Accountant General of the Punjab, dated 23rd June 1866.

† Many excellent suggestions with regard to the affording of facilities for encashment may be found among the answers of collectors and officers in charge of treasuries.

‡ *Vide* more especially the arguments of Mr. Temple in favour of the measure; also the answers of the collector of North Canara; also the report of the Board of Revenue, North Western Provinces; also the opinions of the Lieutenant Governor, North-Western Provinces, conveyed in a letter from the secretary to Government, North-Western Provinces; also the opinion of Captain Taylor, late superintendent of Coorg; also the opinions of the Commissioner of Mysore; also the opinions of the Commissioner in Sind; also the opinion of the Dewan of Cochin state; also note by Honourable G. N. Taylor.

of State.—*Vide* Secretary of State's Financial Despatches, 26th March 1860, No. 47, and 16th September 1862, No. 158.

22. With respect to the issue of a 5-rupee note, the number of opinions is slightly in favour of it.

23. The preponderance of argument would, however, seem to be against such an issue, in which view the majority of the Commission concurs. Attention is particularly invited to the arguments and opinions of Baboo Ramgopal Ghose on this point.

24. With respect to the introduction of gold, the following points seem to be generally and firmly established :—

- 1st. That gold coins of various descriptions of mohurs and sovereigns—English and Australian—although not used as money by the State, are generally at par or above par in price whether in the presidency towns or in the cities of the mofussil ;
- 2nd. That they are sought for in the provinces for trading purposes by merchants and bankers, and as a medium of a reserve of wealth by the people at large ;
- 3rd. That where gold is below par in price, it happens either because gold is almost practically unknown in the districts concerned, or because the people are too poor to create a demand for it ;
- 4th. That the demand for gold currency is unanimous throughout the country ;
- 5th. That gold coins of 15, 10, and 5 rupees respectively would find more favour in the eyes of the people than notes of like value ;
- 6th. That the introduction of gold would facilitate the establishment of the currency notes, outlying treasuries being assisted by such a measure towards the convertibility of the notes ; and
- 7th. That the opinion is general, almost unanimous, that the currency should consist of gold, silver, and paper.

25. With such evidence of the general wish of the country before them, the Commission cannot hesitate to express a hope that the Government of India will persevere in the policy which was recommended for the approval of the Secretary of State two years ago,* viz., to cause a legal tender of gold to be a part of the currency arrangements of India, that which is believed to have been erroneous in the original proposal being modified, however, as hereinafter recommended.

26. The Commission would draw attention to the fact that the price of the gold mohur or Government piece of rupees 15, as fixed by Act XVII. of 1835, is as nearly as possible the average market rate of the price of coined gold of the present day.

27. That price, as sanctioned by law in 1835, seems to be the legitimate basis on which to found a gold legal tender coinage for India, consisting of pieces of 10 and 5 rupees respectively—the 10-rupee pieces having the weight of 120 grains, and the 5-rupee piece 60 grains troy.—*Vide* Section 7, Act XVII. of 1835†.

28. The Commission are aware that it is a favourite notion in some quarters to

* *Vide* Financial Despatch from Government of India, to Secretary of State, July 14, 1864.

† Section 7, Act XVII. of 1835.—And be it enacted that the under-mentioned gold coins only shall henceforth be coined at the mints within the territories of the East India Company :—

First.—A gold mohur or 15 rupee piece of the weight of 180 grains troy, and of the following standard, viz. :—

$\frac{11}{12}$ or 165 grains of pure gold.
 $\frac{1}{12}$ or 15 grains of alloy.

Second.—A 5 rupee piece equal to a third of a gold mohur.

Third.—A 10 rupee piece equal to two-thirds of a gold mohur.

Fourth.—A 30 rupee piece or double gold mohur, and the three last-mentioned coins shall be of the same standard with the gold mohur, and of proportionate weight.

to cause the English sovereign to be issued as the representative of 10 rupees in a legal tender, and this view received the sanction of the Government of India in 1864 at the instance of Sir C. Trevelyan.

29. But according to the evidence submitted generally to the Commission, the conclusion can hardly now be resisted that the tendency in India is rather to raise a gold coin above par.

30. If the Tables of Prices* be consulted for past years, the fact is clearly shown that the real par of the sovereign is somewhat above 10 rupees.

31. If this be admitted, and the evidence is such that no doubt can be entertained with regard to the fact, the Commission may perhaps be excused for believing that the Government of India had not the advantage of exact information when it adopted the views imparted to the Secretary of State in 1864.

32. The Commission would, therefore, venture to suggest that, assuming what is stated with regard to the average value of the sovereign to be correct, that it is apparent that if such a tender, viz., of an English sovereign at 10 rupees, were affirmed by law, it would be to offer the sovereign for sale at a price of from two to three annas less than it can be in general bought for at the ports of importation, or at the average rates in the country at large; that is to say, that with respect to the commodity of gold, with a view to a gold currency, a departure is proposed from the principles on which the supply of a commodity to a country is invariably found to rest.

33. It is, then, clear to all men of business who look to the principles on which alone trade can be carried on, that a trade in gold, with an effectual gold currency, could not exist on such terms.

34. Thus it would be impossible for any mint to buy gold at a less rate than importers can afford to take. And in like manner, having bought gold at given rates, the mint, in other words, the Government, could not afford to issue the new coins at a rate less than their intrinsic value, in which must be included a moderate seignorage.

35. As a matter of course, the same argument applies to the purchase of sovereigns coined in the British or Australian mints, the intrinsic value of which is more than 10 rupees, or so nearly equal to that sum as to leave no margin for fluctuation, or to pay the expense of mintage.

36. The force of this argument is the more apparent when attention is given to the point, that the public debt and all other obligations in India have been contracted in rupees.

37. The practical inferences to be drawn from this statement of facts and reasoning become infinitely stronger when it is recollected that the legal tender of gold will create a new large demand for the commodity; that is to say, by restoring to gold a very considerable part of the functions of money of the State, of which gold is now deprived.

38. It is indeed possible that, under such circumstances, viz., of the restoration to gold of the legal function of money of the realm, the price of it may eventually rise as compared with that of the present day, which received the sanction of the Act of 1835.

39. But it is obvious that the increase of demand cannot occasion a fall in the price of gold, until the country shall have been absolutely flooded with it, the same being accompanied by the partial exclusion of silver from the currency.

40. But when that shall have taken place, it will be for the Legislature of the day to step in and fix the gold coinage on a single standard, by reducing silver to tokens for the payment of small sums, according to the example set by the United States in 1853.†

41. We

* *Vide* Tables** attached to Sir William Mansfield's minute of August 1864, which was received by Government of India subsequently to its despatch to the Secretary of State in support of Sir Charles Trevelyan's proposals.

† *Vide* 5 and 6 chapters of Sir W. Mansfield's minute on the introduction of a gold currency into India, dated 8th March 1864; also his minute of August 1864, in answer to Sir Charles Trevelyan's minute of June 20th 1864.

41. We have, therefore, in the new demand for gold, another powerful reason, as above displayed, for shunning the attempt to give an artificial depreciation to the metal, by forcing the sovereign to run for less than it is actually worth.

42. The attempt is simply to ensure the defeat of a gold currency.

43. The Commission would again once more glance at the practical impossibility of increasing the public debt, and the obligations of all debtors which have been contracted in the rupee.

44. To raise the value of the rupee, however little, by artificially depreciating its gold representative, is simply an act of injustice to all debtors, and a bonus to all creditors, whether of the State or of private parties.

45. As the two tenders, silver and gold, must run *pari passu* for some time to come, such an injustice would rectify itself by the defeat of the gold, and its ejection from the currency—the same resting on the clearest application of commercial principles, as above indicated.

46. The Commission would close their Report with the remark, that as the original institution of the paper currency in 1861 was eminently of a tentative character, extreme caution was observed with respect to the limitation of issues, the organisation of circles, and the guardianship of the convertibility of the note.

47. It is, therefore, unreasonable in the extreme to expect large and perfect results from what has hitherto been but an experiment. Nevertheless, it is impossible not to observe that the universally unfavourable testimony is in truth founded on the expectation of a perfect and absolute success, which, with regard to the original arrangements and the nature of things, and of native society in general, could not in fairness be looked for.

48. On the other hand, as shown in the body of this Report and the mass of evidence given in the Addenda, the time had fully arrived for the review of the results of the experiment, and the application of such improvements or reforms as may be deemed expedient for the development of the paper currency, which, amidst the demands of advancing commerce, has come to be a necessity for the people of the country.

(signed) *W. R. Mansfield.*
H. S. Maine.
W. Grey.
D. Cowie.
G. Ross.
E. H. Lushington.
G. Dickson.
W Halford.

Denzil R. Onslow,
 Secretary.

Simla, 4 October 1866.

APPENDIX.

From *H. E. Jacomb*, Esq., Officiating Under-Secretary to the Government of Bombay, Financial Department, to *E. H. Lushington*, Esq., Secretary to the Government of India, Financial Department.—(No. 855, dated Bombay Castle, the 26th August 1864.)

I AM directed by the Honourable the Governor in Council to transmit to you, for the

* No. 29.—Forwarding copy of a Minute by his Excellency the Commander in Chief on Sir Charles Trevelyan's proposal to declare sovereigns and half-sovereigns, according to the British and Australian standard, legal tender in India at the rate of one sovereign for 10 rupees (with its Enclosures).

purpose of being laid before the Government of India, the accompanying copy of a letter* addressed to Her Majesty's Principal Secretary of State for India, under date the 23rd instant.

DESPATCH from the Government of Bombay to the Secretary of State for India.—
(No. 29, dated Bombay Castle, the 23rd August 1864.)

No. 7, dated 12th March 1864, and No. 9, dated 28th March 1864.

IN continuation of our Despatches as per margin, we have the honour to forward herewith copy of a Minute, by his Excellency Lieutenant General Sir W. R. Mansfield, K.C.B., on the proposal of Sir Charles Trevelyan to declare sovereigns and half-sovereigns, according to the British and Australian standard, legal tender in India at the rate of one sovereign for 10 rupees.

2. We beg, at the same time, to transmit herewith a copy of a return furnished to us by our mint master of the average price of English sovereigns, &c., in Bombay since 1830.

REMARKS by His Excellency Lieutenant General Sir *William Mansfield*, K.C.B., on Sir Charles Trevelyan's proposal to Value the Sovereign at 10 rupees in the Indian Currency.—(Vide Resolution of Government of India, dated 12th July 1864.)

I AM under great obligation to Sir Charles Trevelyan for the very kind manner in which he has been pleased to allude to my Currency Minute, dated 8th March 1864.

2. It is a matter of no ordinary satisfaction that my argument and theoretical conclusions should have been able to arrest his attention.

3. This being so, it is with unfeigned regret that I am obliged to say that I am not convinced by Sir Charles Trevelyan's reasoning of the soundness of the measure by which he proposes to commence the conversion of the silver currency of India to a golden one.

4. The measure to which I allude is the legalising of the value of the sovereign in 10 rupees for tender of payment, while the sovereign is really worth more than that sum.

5. The question of respective values of gold and silver in India, as determined by experience during the last few years of the expansion of trade and increase of gold production, has the most important practical bearing. On the successful appreciation of it may be said to depend the ultimate success of the great reform, the entertainment of which has been sanctioned by the Right Honourable the Secretary of State for India, and by the Viceroy and Governor General in Council.

6. I have ventured to remark once before at some length on the details of this matter,† and it is satisfactory to observe that the calculations and statements of value thus offered at Bombay receive support from those independently prepared at Calcutta.‡

7. Thus the Honourable Mr. Claud Brown shows by a calculation of averages that the sovereign has in Calcutta of late years maintained about the same value as it has in Bombay, the cost of the sovereign being now, as he states, with regard to the gold it contains, worth *Rs.* 10. 2. 11., and with the additional 1 per cent. for seignorage, *Rs.* 10. 4. 6.; consequently Mr. Brown observes that, under the arrangement proposed by Sir Charles Trevelyan, sovereigns would be readily and rapidly received into circulation; but the first and most essential condition is, that some one must provide the sovereigns, and that his difficulty is that he does not think it can be done at the price.

8. It may here be said that in the price of gold, as shown by the sovereign, it is well to banish from our minds the distinction between Australian and British sovereigns, except such very trifling difference of value as is, I believe, supposed to exist between the two coins.

9. The price of gold in India, where the metal is used as a commodity of import, is, of course, regulated by the price it bears in the country where it is most cheaply produced, to which must be added all other charges.

10. The

† Vide Chapter XI. and Appendices of Minute of March.

‡ Vide Appendix No. 9 to Sir Charles Trevelyan's Minute.

10. The freight and loss by interest being less on gold imported direct from Australia than if the same gold had made the circuit of the world, it follows that gold imported by way of Europe must accommodate itself to the superior cheapness of Australian gold; in other words, that the price of the latter in India rules the price of all other gold from wheresoever it may come.

11. This is actually seen to be the case when sovereigns, whether British or Australian, are considered as a matter of commerce. The exceptional taking up of the former for the use of travellers on their road to England has no practical effect as regards the real price of gold. On the sailing of a steamer, English bank-notes are sought and paid for exceptionally on account of such personal convenience.

12. The price of the sovereign in India, as an article of commerce, having thus depended on the marketable value of gold, it has been seen in the two great marts of Calcutta and Bombay, that that price has on an average of years been slightly more than Rs. 10. 4. 0., although the sovereigns are treated in their character of gold without respect to Mint or seignorage charge.

13. Consequently, Sir Charles Trevelyan's price, to which he desires to give a legal sanction for tender of payment, is, at the least, sixpence less than this average value of the sovereign, or about $2\frac{1}{2}$ per cent. as hitherto maintained.

14. The question, therefore, arises, to put Mr. Claud Brown's doubt in another form, who is to bear the loss of the $2\frac{1}{2}$ per cent.?

15. It will be understood that if the Mint can find the gold, the people will be only too happy to exchange their rupees at a rate which will give them sixpence, or four annas, on the changing of every packet of 10 rupees. But is the Government prepared to lose the sixpence; or, in other words, the $2\frac{1}{2}$ per cent.

16. Surely we cannot expect, except in the case of extraordinary dearth of silver, that the people will pay in gold when to do so causes them a loss of $2\frac{1}{2}$ per cent. on their transactions. On the contrary, they will continue to pay in silver so long as gold remains at a premium in the market, as compared with the rate fixed for the optional legal tender.

17. Gold would then be issued at that low rate only at Government treasuries, and the Government, receiving silver in payment of revenue, would then be the sole loser. Government would, therefore, be driven to make all its payments in silver, to prefer silver as the means of redeeming the currency notes, and, therefore, to defeat the measures it is now bent on introducing.

18. Another question also surges up. It may be asked why is $2\frac{1}{2}$ per cent. to be added to the value of the National Debt, as a condition of the conversion of the silver currency?

19. Yet if it be in the power of the Government of India to redeem part of the capital of the debt, and to discharge the interest of it in gold, according to the price sought to be legalised, and if it do so, it is clear all such payments would involve a *pro tanto* addition to the debt, as shown by the artificial depreciation of the gold coins. For it is admitted by Sir Charles Trevelyan that, under any circumstances, his gold will be offered in currency at a less price than it habitually fetches in the market.

20. But it may be further doubted whether the mints would, on the terms of Sir Charles Trevelyan's Minute, obtain any gold with which to carry out the conversion of the currency, except in the remittances of gold made on account of Government. In consequence of their being worth more than the rate fixed for the optional tender by law, sovereigns imported on private account would be sold at the premium they might be able to command in the market. Bar gold being sent to the mints for coinage would be recovered by the owners in the form of sovereigns, to be sold in like manner at a premium. Sovereigns would not be exchanged for currency notes in the Issue Department.

21. The further consequence would be then, that the currency would become complicated instead of being relieved, as we wish it to be. Although dignified as currency legal tender, if anybody chose to tender them at a loss to himself, sovereigns would practically remain an article of trade, while Government, whenever it paid gold as part of the normal currency, would be the sole loser.

22. The result, therefore, would be that silver would remain as it now is, and importation of it for purposes of currency would be continued—one of the things we desire to prevent—while gold, in effect, would not be promoted to perform currency functions as we desire.

23. It is stated that the Australian sovereign can be laid down at Calcutta for Rs. 10. 2. 9. The data on which this assertion is based are not, I believe, furnished. It is not shown whether the profits of the importer are included in the figure, or if the mere cost of the gold in Australia, freight and other charges, are comprehended only.

24. Unless the latter is the case, it is difficult to understand how the price of gold remains on an average at a higher rate than that at which it can be profitably imported. In short, we must take the value of gold at what it is shown to be by the average prices of a term of years, and not from an arbitrary assertion made at a particular juncture.

25. I annex a valuable return of the price of sovereigns, British and Australian, during the last five years. This average price is shown to be about Rs. 10. 4. 0., or considerably in excess of that for which it is alleged Australian sovereigns may be laid down at present.

26. Sir Charles Trevelyan, however, taking the smaller figure, viz., Rs. 10. 2. 9., as his basis, trusts that the Colonial Legislature of Australia may be induced to reduce the price of gold exported from Australia to India by abolishing the export duties.

27. It may be asked if it is not too sanguine to expect such accommodation from popular and distant Governments over which we have no control? Should we ourselves

be justified in legislating with a view to a contingency which must in any case be remote, and which many politicians, who consider how colonial revenues are raised with regard to colonial impatience of taxation, will declare to be so unlikely as to be almost impossible?

28. But it is to be remarked that the new and great demand for gold caused by the organization of an effective gold currency in India will not improbably raise the price of gold throughout all the markets of the world, of course including Australia. On the other hand, we must not forget that the yield of gold in the latter country is largely diminishing, as noted by Sir Charles Trevelyan. It is not impossible that the two things taken together might neutralise the effect of abolishing the Australian export duty, if such a measure were ever to take place.

29. Sir Charles Trevelyan is apparently of opinion that, eventually, the price of gold in India would be somewhat diminished by the regularity of trade consequent on the introduction of a gold currency.

30. But is this likely? Has he not overlooked the effect of the new demand on the regions of supply, when gold shall be substituted in the imports to India, in the place of the many millions of silver now annually brought to her shores from all parts of the world?

31. We have already seen in India how the superior convenience of gold as a vehicle of reserve value has kept up its price in India as reckoned in silver, notwithstanding that it was shut out of the currency. May we not expect a still greater result in the same direction when it is admitted?

32. I am evidently not singular in such views. Thus Mr. Claud Brown, while he does not guarantee that gold may not ultimately be reduced in value so as to enable the sovereign to be supplied at 10 rupees, "sees no valid ground for expecting such a change, especially when due allowance is made for the effect which the adoption of gold as a circulating medium in India must have in checking any tendency that might otherwise have existed to a decline in the value of the metal."

33. Let us now consider the subject in another manner. Sir Charles Trevelyan, when advocating the introduction of the sovereign as an uniform standard of exchange, says that it would come into more extensive use than the Spanish dollar ever did if fair play were given it. Yet he shows that he has misgivings that his proposed measure will retard the conversion of the silver medium to a golden one, the real and immediate object of the proposed reform of the Indian currency.

34. Can it be said that fair play is given to the sovereign as a current coin, when making a law that gold and silver shall be optional legal tenders we declare that the former shall be issued in a coin, the sovereign, charged at a rate which depreciates its value?

35. The object of the change which is now proposed is the eventual conversion without shock or expense of the silver currency to a golden one.

36. It is difficult to understand why, bearing this object in view, we should commence with a measure which, as Sir Charles Trevelyan admits, may retard its attainment. Should we not rather recognise the fact of equality of intrinsic value between the respective coins of the two metals, as the only basis of theory and practice in our progress towards the eventual position of a gold currency and a gold standard, that progress being determined only by the other fact of superior convenience of a golden medium over a silver one?

37. In this case, we shall have simplicity, an intelligible principle, and, it may be said, finality; whereas, in the other, we shall commence with a measure open to the charge of retarding the reform we propose, which, by some critics, will be held to be synonymous with inoperativeness, in other words, failure.

38. By taking the basis of equality as now shown by the averages, we stop speculation with regard to artificial and local differences of value as much as we can. The relative values having been so determined by experience till the present date, will become fixed henceforth in currency at present rates. We have seen examples of a like result in the instances of France and America. As in those countries, the moment will in such case at length arrive for stereotyping the rate by means of the token coinage.

39. If, on the other hand, when we inaugurate our reform, we depart from the basis of equality in favour of silver, we, in fact, delay not only the conversion of the currency as shown above, but we do something more. We forego the advantage of determining the value of gold in currency by the current silver coin for the future as well as for the present.*

40. Without such determination of the value of gold in silver, according to reason as well as an arbitrary regulation, which will be set aside by the premia of the markets, the currency reform cannot become substantive, and we shall land ourselves amidst the uncertainties of the double standard.

41. For in such case, the attempt will be really made to have two measures of value in different metals, whereas we know that trade and exchange will only admit of one measure. By insisting on the nicest equilibration of value between silver and gold in the issue of coins under a joint or optional legal tender, we still adhere to the old rupee measure or silver standard, but we offer the golden equivalent in its place. If we wittingly afford more of gold than is equal to the silver, we do the reverse; and we compel the

* *Vide* chapter 3. of Minute of March, more particularly the closing pages of that chapter.

the community in every transaction, public or private, to consider whether it is to be performed in silver or in gold.

42. It may be further observed that, by means of the nice equalisation of the legal tenders in point of value, we are perfectly just to the present holders of silver and the holders of securities, whether on public or private contracts. For they will be allowed at their own convenience to pay in silver or gold. This fact would prevent the depreciation of silver from its present value with regard to gold. For if it were to fall, as suggested by Sir Charles Trevelyan, below the par of present value, which on a real present equalisation would be fixed in currency, it would be quickly bought up for the discharge of debts, according to the option afforded by law. Its currency value, and, therefore, its price in the country, would be as rapidly restored.

43. It would appear, after considering all the features of the matter presented to us, that we are encumbering what would be otherwise simple by the attempt to graft on it something else. Thus we desire to have a gold currency for India. The measures to effect such a change are direct and simple. But this is no longer the case, if we take the opportunity to provide what is called an imperial standard of exchange for the dependencies of Great Britain, and then to fix in India a gold coin at an artificial price, that coin having been struck for a system of coinage unknown to India and her coined values.

44. It seems strange to try to force down a strange coin at a price which is not its true equivalent: in short, to bend certain physical facts of value in favour of a notion of decimal convenience and of relation to other portions of the British Empire.

45. The equitable proceeding would appear to be on the contrary, if we choose to impose on India a gold coin which is foreign to her system, that, rather than commit ourselves to an arbitrary measure, we should give the strange coin for its exact value, just as in exchanging gold for silver, we should take care, as far as lies in our power, that in general the equivalent of the former is accurately afforded in substitution of the latter; in other words, that our currency transactions should exactly follow the law of barter, until the absorption or disappearance of the silver may enable us to revert to a single legal tender for large sums by the introduction of the token coinage.

46. With regard to all existing debts and contracts, we are unable to part with the existing silver rupee. It is to us what the franc is to the French, what the dollar is to the American.

47. We should only think of rendering that silver rupee in its golden representative, and we should not for the present trouble ourselves with more. According to the proposal which has received the sanction of the Government of India, we do not confine ourselves to this, but for *ex parte* considerations, we made the effort to confer a greater value on the rupee than it physically possesses.

48. I cannot help thinking that a confusion has arisen, and that the advantages of clinging to the sovereign for India has been overrated, while the difference between its value and that of 10 rupees has been underrated.

49. Had a sovereign been worth 12 rupees, there would have been no thought of legalising it in a value of 10 rupees. But, in truth, when the large operations of trade are involved, it makes but little difference, so far as the object we are considering is concerned, whether the difference be two rupees or two annas. In either case the difference is sufficient to ensure an immense profit or loss to a merchant who operates with millions. This being so, the market premia, owing to want of original Mint equalisation of value, entailing the official depreciation of gold, would, I believe, infallibly drive gold out of the currency. I think, therefore, that if we would succeed in fairly resolving the problem we have before us, we must have a gold coinage for India herself, and let sovereigns run according to their value, which may be determined by law with regard to the regular Indian gold coin.

50. In short the sovereign should be the ally to assist India in participating in the convenience of the imperial standard. But it will not be permitted to usurp the rule in the realm hitherto occupied by the rupee, and to change the value of the latter.

51. We can then hardly resist the conclusion that the golden multiple of the rupee should be calculated and minted with regard to the value of the rupee only, and apart from all other considerations, sovereigns being allowed to run for their relative value.

4 August 1864.

W. R. Mansfield.

**AVERAGE QUOTATIONS for each Year in Bombay of English and Australian Sovereigns
and English and Australian Bar Gold.**

Y E A R.	English Sovereigns.	Australian Sovereigns.	English Bar Gold, 98 Touch.	Australian Bars.	REMARKS
	<i>Rs. a. p.</i>	<i>Rs. a. p.</i>	<i>Rs. a. p.</i>	<i>Rs. a. p.</i>	
1557 - - -	10 2 7 each	No quotation -	No quotation -	No quotation.	
1558 - - -	10 2 2 „	- -	15 14 4 per tolah	—	
1559 - - -	10 5 9 „	- -	16 6 5 „	—	
1860 - - -	10 5 4 „	10 7 2 each	16 4 2 „	15 12 - per tolah (23 carats.)	Australian Sovereigns and Bars from July.
1861 - - -	10 4 9 „	10 3 8 „	16 1 7 „	15 5 7 „ (23 carats.)	
1862 - - -	10 5 - „	10 3 5 „	16 3 1 „	15 14 2 „ (23 $\frac{3}{4}$ carats.)	
1863 - - -	10 4 1 „	10 6 9 „	16 3 1 „	16 1 2 „ (23 $\frac{3}{4}$ carats.)	

AVERAGE PRICE of English Sovereigns, &c., since 1830.

Y E A R.	English Sovereigns. <i>Per each.</i>	German Crowns. <i>Per 100.</i>	Mexican Dollars. <i>Per 100.</i>	F. Franc Pieces. <i>Per 100.</i>	Remarks.
	<i>Rs. a. p.</i>	<i>Rs. a. p.</i>	<i>Rs. a. p.</i>	<i>Rs. a. p.</i>	
1830 - - -	- - -	213 - 6	—	—	
1831 - - -	- - -	208 3 -	—	—	
1832 - - -	- - -	215 14 8	—	—	
1833 - - -	- - -	211 3 5	—	—	
1834 - - -	- - -	- - -	- - -	- - -	Not reported.
1835 - - -	10 14 1	—	—	—	
1836 - - -	- - -	- - -	- - -	- - -	File lost.
1837 - - -	- - -	- - -	- - -	- - -	„
1838 - - -	10 8 -	215 - -	221 4 -	—	
1839 - - -	10 3 9	214 10 -	221 8 -	—	
1840 - - -	10 5 6	214 - -	—	—	
1841 - - -	10 11 9	214 5 -	—	—	
1842 - - -	10 15 1	215 - 10	—	—	
1843 - - -	- - -	- - -	- - -	- - -	File lost.
1844 - - -	10 4 8	215 8 9	225 12 -	—	
1845 - - -	11 2 -	217 14 -	221 1 7	—	
1846 - - -	11 2 6	231 - -	221 2 -	—	
1847 - - -	11 1 -	216 1 4	—	—	
1848 - - -	11 5 3	215 1 2	—	—	
1849 - - -	11 2 6	212 12 -	220 14 -	—	
1850 - - -	10 4 6	212 4 -	—	—	
1851 - - -	10 3 10	211 6 6	221 1 4	—	
1852 - - -	10 4 8	211 10 -	222 - 8	—	
1853 - - -	10 2 1	215 7 8	—	—	
1854 - - -	10 2 8	217 7 4	231 14 -	—	
1855 - - -	10 3 7	212 9 4	222 14 -	—	
1856 - - -	10 1 2	209 2 -	222 - -	—	
1857 - - -	10 1 1	216 12 8	—	—	
1858 - - -	10 2 2	213 13 -	222 - -	—	
1859 - - -	10 6 2	213 15 -	221 12 4	223 1 -	
1860 - - -	10 6 -	211 11 4	223 12 -	223 1 4	
1861 - - -	10 5 4	212 8 -	225 - -	221 4 -	
1862 - - -	10 4 11	213 9 4	223 2 -	224 3 4	
1863 - - -	10 4 4	214 7 -	225 12 8	222 3 4	
1864 - - -	10 3 10	213 13 1	227 11 4	215 11 7	
Total - -	283 4 5	6,430 2 11	4,020 10 2	1,329 8 7	
Average - -	10 7 10	214 5 5	223 5 10	221 9 5	

The agent, Oriental Bank (who are, perhaps, the largest importers of bar silver), states that he always sends it to the Mint, and there can be no doubt that the Mint price is the average one, as most of the silver imported is brought to the Mint, which would not be the case if it fetched a higher price elsewhere. The Mint price being fixed, silver is never sold below it, unless at a trifling reduction on account of interest. The Mint price was raised by 1 per cent. in the year 1833. Australian sovereigns are not quoted. There are quotations for bar gold for about 20 years, but they do not give the touch, and are therefore of no value. *Rs.* 16. 8. is the present price of pure gold per tolah.

J. A. Ballard, Lieut. Colonel, Mint Master.

Bombay Mint, July 1864.

EAST INDIA (CURRENCY).

COPY of the REPORT of the COMMISSION
appointed by the Government of India to
consider the Question of the CURRENCY.

(*Sir Stafford Northcote.*)

*Ordered, by The House of Commons, to be Printed,
16 March 1868.*

EAST INDIA (LOAN).

RETURN of all MONIES raised on LOAN under the Provisions of the Acts
21 Vict. c. 3; 22 Vict. c. 11; 22 & 23 Vict. c. 39; 23 & 24 Vict. c. 130;
and 24 & 25 Vict. c. 25.

Per Act 21 Vict. c. 3	-	-	-	-	-	-	£. 7,816,645.	7.	1.
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Per Act 22 Vict. c. 11	-	-	-	-	-	-	£. 6,753,980.	14.	7.
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Per Act 22 & 23 Vict. c. 39	-	-	-	-	-	-	£. 4,857,996.	16.	1.
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Per Act 23 & 24 Vict. c. 130	-	-	-	-	-	-	£. 2,961,655.	18.	4.
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Per Act 24 & 25 Vict. c. 25	-	-	-	-	-	-	£. 3,962,412.	5.	6.
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India Office, }
20 February 1868. }

William G. Goodliffe,
Accountant General.

EAST INDIA (LOAN).

RETURN of all MONIES raised on LOAN under
the Provisions of the Acts 21 Vict. c. 8 ;
22 Vict. c. 11 ; 22 & 23 Vict. c. 39 ; 23 & 24
Vict. c. 130 ; and 24 & 25 Vict. c. 25.

(Presented pursuant to Acts of Parliament.)

*Ordered, by The House of Commons, to be Printed,
24 February 1868.*

EAST INDIA (REVENUES).

A RETURN of all STOCKS, LOANS, DEBTS, and LIABILITIES chargeable on the EAST INDIA REVENUES, at Home and Abroad, up to the latest Period of Time to which such Return can be made out; viz. *England*, 31st December 1867; *India*, 30th September 1867.

(Presented pursuant to Acts 21-Vict. c. 3; 22 Vict. c. 11; 22 & 23 Vict. c. 39; 23 & 24 Vict. c. 130; and 24 & 25 Vict. c. 25.)

Ordered, by The House of Commons, to be Printed
24 February 1868.

RETURN of all STOCKS, LOANS, DEBTS, and LIABILITIES Chargeable on the EAST INDIA REVENUES,
England, 31st December 1867 ;

INDIA :	REGISTERED DEBT.			L O A N S.			TREASURY NOTES.		
	Bearing Interest.	Not bearing Interest.	TOTAL.	Bearing Interest.	Not bearing Interest.	TOTAL.	Bearing Interest.	Not bearing Interest.	TOTAL.
(The Rupee converted into Sterling at the exchange of 2 s.)	£.	£.	£.	£.	£.	£.	£.	£.	£.
Government of India	62,752,988	29,371	62,782,359	2,626,485	34,348	2,660,833	1,386,497	-	1,386,497
Bengal - - -	-	-	-	-	-	-	9,030	-	9,030
North Western Provinces - -	-	-	-	-	-	-	70,000	-	70,000
Punjaub - - -	-	-	-	-	-	-	14,900	-	14,900
Madras - - -	23,450	6,329	29,779	-	-	-	579,832	-	579,832
Bombay - - -	-	-	-	-	-	-	8,750	-	8,750
30 September 1867. £.	62,776,438	35,700	62,812,138	2,626,485	34,348	2,660,833	2,069,009	-	2,069,009

ENGLAND :	East India Bonds.	East India Debentures.	India Five per Cent. Stock.	India Four per Cent. Stock.	Owing for Exports
	£.	£.	£.	£.	£.
31 December 1867.	5,020,917	4,997,500	17,100,000	2,900,000	211,432

The above is exclusive of the charge upon the Revenues of India, under the Act of 3 & 4 Will. 4, c. 85, of the Company, which is subject to redemption by Parliament on payment to the Company of 200 l. sterling for 100 l.

There are also contingent liabilities in respect of Interest, guaranteed Indian Railway and other Companies, and of

India Office, }
20 February 1868. }

at HOME and ABROAD, up to the latest Period of Time to which such Return can be made out; viz.,
India, 30th September 1867.

SERVICE FUNDS.			BILLS PAYABLE.			DEPOSITS and MISCELLANEOUS.			TOTAL.		
Bearing Interest.	Not bearing Interest.	TOTAL.	Bearing Interest.	Not bearing Interest.	TOTAL.	Bearing Interest.	Not bearing Interest.	TOTAL.	Bearing Interest.	Not bearing Interest.	TOTAL.
£.	£.	£.	£.	£.	£.	£.	£.	£.	£.	£.	£.
2,799,681	233,665	3,033,346	-	484,546	484,546	183,238	2,116,673	2,299,911	69,748,889	2,898,603	72,647,492
33,715	-	33,715	-	183,338	183,338	137,561	1,916,853	2,054,414	180,306	2,100,191	2,280,497
-	-	-	-	-	-	20,000	813,700	833,700	90,000	813,700	903,700
22,952	-	22,952	-	27,986	27,986	-	500,774	500,774	37,852	528,760	566,612
1,123,412	-	1,123,412	-	194,621	194,621	162,249	520,781	683,030	1,888,943	721,731	2,610,674
1,998,380	-	1,998,380	-	-	-	413,734	661,565	1,075,299	2,420,864	661,565	3,082,429
5,978,140	233,665	6,211,805	-	890,491	890,491	916,782	6,530,346	7,447,128	74,366,854	7,724,550	82,091,404
War Office and Admiralty Claims, &c.		Capital of Indian Railway and other Guaranteed Companies, remaining in the Home Treasury after Deducting Sums (partly Estimated) drawn by them in India.				Bills of Exchange outstanding.		Miscellaneous.		TOTAL.	
£.		£.				£.		£.		£.	
398,917		438,118				3,130		524,481		81,594,495	

Dividend at the rate of 10 l. 10 s. per cent. per annum, on the sum of 6,000,000 l., the Capital Stock of the East India stock.

Repayments to them of Capital expended; but no Estimate can be formed of these liabilities.

William G. Goodliffe,
Accountant-General.

EAST INDIA (REVENUES).

RETURN of all STOCKS, LOANS, DEBTS, and
LIABILITIES chargeable on the EAST INDIA
REVENUES, at Home and Abroad, up to the
latest Period of Time to which such Return
can be made out; viz. *England*, 31st December
1867; *India*, 30th September 1867.

(*Presented pursuant to Acts 21 Vict. c. 8; 22 Vict. c. 11;
22 & 23 Vict. c. 39; 23 & 24 Vict. c. 130; and 24
& 25 Vict. c. 25*)

*Ordered, by The House of Commons, to be Printed,
24 February 1868.*

EAST INDIA (ARMY).

RETURN to an Address of the Honourable The House of Commons,
dated 28 April 1868;—for,

“ STATEMENT showing the Number of OFFICERS of each Grade in the
ARMIES of *Bengal, Madras, and Bombay* (Staff and Local), in the Year
1868, and the probable Number of each Grade in each successive Year
to 1877 inclusive, upon the present System of Promotion by Length of
Service, in the following form:—

	1868.				1869.				1870, &c. &c.				1877.			
	Bengal.	Madras.	Bombay.	Total of each Grade.	Bengal.	Madras.	Bombay.	Total of each Grade.	Bengal.	Madras.	Bombay.	Total of each Grade.	Bengal.	Madras.	Bombay.	Total of each Grade.
Colonels - - -																
Lieutenant Colonels - - -																
Majors - - -																
Captains - - -																
Lieutenants - - -																
TOTALS - - -																

Military Department, India Office, }
22 July 1868.

J. PATTISON THOM,
Assistant, Military Department.

(Colonel Sykes.)

Ordered, by The House of Commons, to be Printed,
24 July 1868.

STATEMENT showing the Number of OFFICERS of each Grade in the ARMIES of *Bengal, Madras,*
1877 inclusive, upon the present System

	31st December 1867.				1 8 6 8.				1 8 6 9.			
	Bengal.	Madras.	Bombay.	Total of each Grade.	Bengal.	Madras.	Bombay.	Total of each Grade.	Bengal.	Madras.	Bombay.	Total of each Grade.
Colonels (with Colonel's Allow- ance).	63	54	28	145	65	50	29	144	64	47	27	138
Lieutenant Colonels - -	244	184	103	531	295	225	124	644	331	241	135	707
Majors - - - -	315	221	146	682	282	208	137	627	264	209	130	603
Captains - - - -	367	329	177	873	367	324	168	859	384	337	192	913
Lieutenants - - - -	490	291	193	974	464	271	180	915	417	235	149	801
TOTALS - - -	1,479	1,079	647	3,205	1,473	1,078	638	3,189	1,460	1,069	633	3,162

	1 8 7 3.				1 8 7 4.			
	Bengal.	Madras.	Bombay.	Total of each Grade.	Bengal.	Madras.	Bombay.	Total of each Grade.
Colonels (with Colonel's Allow- ance).	57	38	28	123	68	48	32	148
Lieutenant Colonels - -	439	325	194	958	442	336	200	978
Majors - - - -	188	148	88	424	191	146	90	427
Captains - - - -	514	345	222	1,081	467	314	193	974
Lieutenants - - - -	217	176	87	480	242	182	99	523
TOTALS - - -	1,415	1,032	619	3,066	1,410	1,026	614	3,050

Note.—In this Statement the Staff Corps Establishment is assumed to be for { Bengal, 1,100
Madras, 800 } 2,400 Officers,
Bombay, 500 }

The numbers shown in the higher ranks are extreme, and are subject to reduction by retirements in room of which cannot yet be assigned. In the five Years 1863 to 1867 inclusive, there have retired from the Staff Corps

The Staff Corps will not attain its normal state until the Officers of the old Indian Army, who, by joining the Staff

and *Bombay* (Staff and Local), in the Year 1868, and the probable Number of each Grade in each Year to of Promotion by Length of Service.

1870.				1871.				1872.			
Bengal.	Madras.	Bombay.	Total of each Grade.	Bengal.	Madras.	Bombay.	Total of each Grade.	Bengal.	Madras.	Bombay.	Total of each Grade.
61	46	26	133	59	42	25	126	57	38	24	119
365	255	143	763	404	284	156	844	425	310	182	917
243	204	130	577	214	182	125	521	200	158	101	459
466	362	209	1,037	510	347	218	1,075	534	333	225	1,092
314	191	119	624	249	194	98	541	209	199	85	493
1,449	1,058	627	3,134	1,436	1,049	622	3,107	1,425	1,038	617	3,080
1875.				1876.				1877.			
Bengal.	Madras.	Bombay.	Total of each Grade.	Bengal.	Madras.	Bombay.	Total of each Grade.	Bengal.	Madras.	Bombay.	Total of each Grade.
81	62	38	181	94	75	44	213	108	78	51	237
443	334	196	973	439	323	194	961	431	327	192	950
197	154	97	448	206	165	95	466	231	187	111	529
417	272	167	856	362	229	146	737	296	179	111	586
275	213	120	608	312	241	135	688	351	263	154	768
1,413	1,035	618	3,066	1,413	1,038	614	3,065	1,417	1,034	619	3,070

exclusive of Colonels with Colonel's allowances; and the Lieutenants have been recruited accordingly.

promotions are not made, the promotions depending on length of Service only. The proportion of retirements Lieutenant Colonels, 11, and Majors, 27; and in the coming year such retirements may increase.

Corps, obtained extraordinary promotion, shall have passed away.

EAST INDIA (ARMY).

STATEMENT showing the Number of OFFICERS of each Grade in the ARMIES of *Bengal, Madras, and Bombay* (Staff and Local), in the Year 1868, and the probable Number of each Grade in each successive Year to 1877 inclusive, upon the present System of Promotion by Length of Service.

(Colonel Sykes.)

*Ordered, by The House of Commons, to be Printed,
24 July 1868.*

EAST INDIA (BENGAL).

RETURN to an Address of the Honourable The House of Commons,
dated 27 April 1868;—for,

“COPIES of DESPATCH of the Secretary of State for *India* to the Government of *India* on the Subject of the ADMINISTRATION of *Bengal* :”

“Of the REPORT of a Special Committee of the Council of *India* on the same Subject :”

“And of other Papers relating thereto.”

India Office, }
30 April 1868. }

H. L. ANDERSON,
Secretary, Judicial and Legislative Department.

(*Sir Stafford Northcote.*)

Ordered, by The House of Commons, to be Printed,
8 May 1868.

C O N T E N T S.

No.	From.	To	Pages.
1.	Memorandum by Sir Stafford Northcote, dated 16 September 1867, with Enclosures.	- - - - -	1 to 12
2.	Memorandum by Sir F. Halliday -	- - - - -	13 to 15
3.	Further Memorandum by Sir F. Halliday, dated 16 December 1867.	- - - - -	15, 16
4.	Report by Mr. George Campbell, dated 26 November 1867.	- - - - -	17 to 33
5.	Report of Special Committee, dated 14 November 1867.	- - - - -	34 to 36
6.	Memorandum by Mr. Arbutnot and Sir Bartle Frere.	- - - - -	37
7.	Letter from Sir Stafford Northcote, dated 14 November 1867.	Sir F. Currie - -	38 to 40
8.	Memorandum by Sir Bartle Frere, dated 2 December 1867, and Appendix by Mr. Hornidge.	- - - - -	40 to 54
9.	Memorandum by Mr. Maine, dated 2 December 1867.	- - - - -	55 to 63
10.	Despatch from Secretary of State, dated 16 January (No. 10—Public Department) 1868.	Governor General of India in Council.	63 to 66
11.	Public Despatch from Governor General of India in Council (with Enclosures), dated 28 March (No. 50) 1868.	Secretary of State -	66 to 144
12.	Memorandum by Mr. Mangles, dated 7 May 1868.	- - - - -	144 to 147
13.	Memorandum by Sir E. Perry, dated 22 May 1868.	- - - - -	147

COPIES of DESPATCH of the Secretary of State for *India* to the Government of *India* on the Subject of the ADMINISTRATION of *Bengal*:—Of the REPORT of a Special Committee of the Council of *India* on the same Subject:—And, of other PAPERS relating thereto.

—No. 1.—

REFERENCE TO COMMITTEE.

MEMORANDUM by Sir *Stafford Northcote*, and Enclosures.

THE time appears to have come for inviting the Council to take into their serious consideration some of those questions of an organic character to which so much attention has recently been directed.

I propose that a Special Committee be appointed, to which shall be referred such documents as we already have before us connected with these questions, and such others as may come to us in the course of the autumn. I will communicate to the Committee some private letters which I have received from India, and from persons in this country, bearing upon the subject.

Amongst other documents of which we are semi-officially in possession, is a portion of a report which Mr. George Campbell is preparing, and which he will submit to the Governor General in continuation of the Report on the Orissa Famine, of which he is one of the authors. It will probably be convenient that Mr. Campbell should send a duplicate of this Report to the Secretary of State in an official form, so that we may lose no time in addressing the Government of India upon it.

The full report is now presented.

It will be the business of the Special Committee to draw up a report upon the measures which they would recommend for the improvement of the system of Government in Bengal, and, if they think well, in other parts of India also. It will of course be necessary to communicate with the Government of India upon any recommendations which they may make; and they will, I hope, undertake the preparation of a Despatch for the purpose of eliciting the opinions of that Government before the commencement of the Parliamentary Session of 1868-69. I should, however, be glad to be in possession of their views upon any points which are likely to require Imperial legislation, and which must, therefore, be considered in cabinet at the earliest possible period.

Without intending in any way to limit or control the inquiries of the Committee, I will state the order in which the questions which, I presume, they will find it necessary to investigate, present themselves to my own mind.

I. Assuming that the seat of the Government of India is still to be at Calcutta, with periodical migrations to Simla, I would ask,—

(1.) Is it desirable that the administration of Bengal should be entrusted to a Governor and Council, on a footing equal to the Governments of Madras and Bombay, or to a Lieutenant Governor, as at present?

(2.) If the present arrangement is to be maintained, should the extent of the Presidency be reduced by the erection of Assam and the neighbouring districts into a commissionership, or by the transfer of Behar to the North West Provinces, or in any other manner?

(3.) Should the Board of Revenue be maintained; or should a single Commissioner of Revenue be appointed? or should the Lieutenant Governor have a Council, of which one member should take charge of Revenue business?

(4.) Should

- (4.) Should the secretariat be increased, and to what extent ?
- (5.) Should the districts be subdivided ? or should a different division of duties be introduced, so as to enable the district officers to get through their work more easily ?
- (6.) Is it desirable to unite the offices of judge and magistrate in the same person, or to keep them separate ? Would it be well to adopt the suggestion that the salaries and dignities of the judge and of the executive magistrate should be equalised, so that officers attaining a certain standing may "bifurcate," and follow either line of service without detriment to their prospects ?
- (7.) What measures can be taken to attach magistrates for a longer time to their respective districts.
- (8.) Whether any alterations should be made in the organisation of the police, or in the Customs Department, or in any other ?

II. If it should be the opinion of the Committee that Bengal should be placed on the same footing as Madras or Bombay, I would ask,—

- (1.) Whether the seat of the Government of India should still be retained at Calcutta ?
- (2.) Whether it is desirable that the Government of India should migrate in a body, as they do now every year ?
- (3.) Whether they think it expedient to look out for a new seat of Government ; and, if so, whether they are of opinion that a Commission should be appointed to go in search of one ; and what instructions should be given to such Commission ?

III. I am next anxious to consider how far the present relations between the Government of India and our Presidency Governments admit of modification.

- (1.) Should the Presidency Governments be allowed to manage any, and what, portion of their local expenditure and of their local taxation, without reference to the Government of India ?
 - (2.) Should any system of advances from the central to the local treasuries for Presidency purposes be introduced.
- (This is a point upon which I propose to submit a memorandum to the Committee.)

IV. In connection with this inquiry, I am anxious also to ask whether some arrangement may not be made for the more systematic introduction of Natives into the higher branches of the service. This is a question to itself, and it would not be desirable to delay the consideration of the other questions for its sake. I only note it, that it may not be forgotten as one of the elements of the problem which we have to solve. I am not at all sure that it may not be found well to admit Natives from the uncovenanted to the covenanted service without competitive examinations, subject only to the condition of their having spent a certain time in England, and being able to pass a certain test examination.

I think it would be well that the Special Committee should commence their labours at once : and I should be glad that they communicated freely with me during their progress.

Stafford H. Northcote.

16 September 1867.

Enclosure 1, in No. 1.

EXTRACT of a LETTER from the Governor General of India to the Lieutenant Governor of Bengal.

My dear Grey,

Simla, 20 June 1867.

I ENCLOSE a letter which I received a few days ago from Sir Stafford Northcote, and should like to have your opinion on the question of the abolition of the Board. It is one which has often struck me as expedient ; but I hesitate to propose it, for various considerations. In old Provinces, like the Lieutenant Governorship of Bengal in particular, there certainly is some advantage in having the views of two high functionaries constituting

tuting a Board, so as to ensure something like consistency of action in such cases as that dealing with the State revenues.

* * * * *

A single officer, in the place of a Board, necessitates that he should be a very able and very energetic man, such a one as may not always be available.

On the other hand, I do not think that it would do to have no intervening office between the Commissioners of Divisions and the Lieutenant Governor. Such an arrangement would fairly overwhelm the Lieutenant Governor with details.

There is a third plan, *i.e.* to turn the members of the Board into councillors to the Lieutenant Governor, each working a department, as in Bombay and in the Government of India; but here again I see mischief, inasmuch as the Governor would not like that important matters should be disposed of in his name without his seeing the papers and having a voice in the decision; and if he do this, the work would be excessive.

I shall be glad to hear what you may have to say on these points.

* * * * *

I have no objection whatever to Orissa being made into a Chief Commissionership, except on the grounds of expense, which will be considerable; and in that case, as I said to you in Calcutta, it would be necessary to break up Assam into two or three Commissionerships, and, above all, to select a thoroughly efficient man for the post.

* * * * *

(signed) John Lawrence.

Enclosure 2, in No. 1.

The Governor of Bengal to the Governor General of India.

My dear Sir John,

Belvedere, 6 July 1867.

YOU ask me my opinion as to the abolition of the Board of Revenue. Sir Stafford Northcote, in his letter to your Excellency, writes, "I should like to see the Revenue Board dispensed with, and the Commissioners brought into more direct relations with the Government." This is said with special reference to Orissa famine.

I wish first, therefore, to state my opinion, that nothing which occurred in connexion with the Orissa famine can fairly be adduced as an argument for the abolition of the Board of Revenue. It was not necessary that the Board of Revenue should have come between the Government and the Commissioners in respect of the actual conduct of measures for the relief of the distress. There is no obvious relation between the duties of a Board of Revenue and the duty of a Government called upon to mitigate the severity of an existing famine. The people who suffer least from a famine are those directly connected with the land; it is the artisan class, and the labouring class, and the pauper class who suffer first and most from a scarcity of food. As your Excellency is aware, Commissioners are in direct relation with the Government in respect of their general duties. It is only in regard to purely revenue business what they are subordinate to the Board of Revenue.

The employment of the Board of Revenue, then, to the extent to which it was employed during the late famine, was an optional act of the Lieutenant Governor; and the arrangement was so far subsequently acknowledged to be a mistake by Sir Cecil Beadon, that before I joined the Bengal Government the Board had been set aside by his order, and the entire charge of relief operations, so far as the Government is directly concerned with them, is placed exclusively in the hands of Mr. Schalch. As the direct action of the Government is now confined to the importation operations, the actual measures of relief being superintended by the public committee, this is a suitable arrangement.

So far, then, as the late famine is concerned, I would submit that it gives no ground for a proposal to abolish the Board of Revenue.

Looking at the proposal to abolish the Board from a general point of view, and as you are no doubt aware, the proposal in this form is not now made for the first time, I must represent that I consider the measure to be impossible unless accompanied by a material change in the arrangements of the Bengal administration.

I know of no such great anomaly in India as the existing Government of Bengal. By far the largest* Government in India as respects area, by far the most important as a civil Government, and with a Legislative Council like Madras and Bombay, it has yet a secretariat staff for its civil business no stronger than the smaller and far less important civil Government of the North-west Provinces, and very much weaker than the smaller and far less important Civil Governments of Madras and Bombay.

The Civil Government of Madras, for instance, consists of a Governor and two members of Council, two highly paid Secretaries (thus securing the best ability and largest experience of the service), two Under Secretaries, and a Public Works Secretariat.

The

* It has 36 regulation districts, and 18 non-regulation districts, besides numerous subdivisions of districts, which tend to increase materially the work of the Government.

Probably the judicial business of a province is in some measure a criterion of the amount of business which will flow in on the executive. Compare the general judicial business of Bengal and the judicial business of the Bengal High Court with the same business in other governments.

The Civil Government of Bengal consists of a Lieutenant Governor, one Secretary, who, from the pay attached to the office (less than the lower of the two Madras Secretaries), is frequently taken from officers of a comparatively junior standing, two Under Secretaries, and a Public Works Secretariat.

Now, I will hazard a guess, that the business devolving on the Bengal Civil Secretariat, excluding the Public Works branch, is probably not far short of double the business of the Madras Civil Secretariat. And as regards the Governor of Madras and the Lieutenant Governor of Bengal individually, I believe the only business which the former has that does not come upon the latter is the business connected with the Madras army. For this, the Governor of Madras has a special Military Secretariat and the assistance of the Commander in Chief in Council. And it may, indeed, be doubted whether the burden of this business does more than counterbalance the far larger amount of business which the Public Works Department and the Railway Department devolve on the Lieutenant Governor of Bengal than the same departments devolve on the Governor of Madras.

I have no hesitation in affirming, that at present the Lieutenant Governor of Bengal is overweighed, to an extent neither fair to the individual nor (which is of more importance) to the interest of the province, or rather provinces, which constitute the Lieutenant Governorship. This is true, even if the executive business only is taken into account, but in addition to this there is the legislative business to be attended to, and since I have been Lieutenant Governor a great deal of my time and attention has been taken up by the measures before the Legislative Council, which, as you are aware, has continued sitting up to the present time.

To abolish the Board of Revenue, then, and to bring the Government, as now constituted, into direct communication with the Commissioners as to revenue business, would assuredly swamp the Lieutenant Governor altogether, even assuming that some additional power should be vested in the Commissioners, and that a Revenue Secretary should be appointed.

I think, however, that, short of bringing the Government into direct communication with the Commissioners in revenue business, the present constitution might, with great public advantage, be amended.

There might be, instead of a Board, a single officer, answering to the Financial Commissioner of the Punjab, as head of the Revenue Department, with the exception of Customs, which now practically includes salt. The present Collector of Customs might be made, as at Bombay, Commissioner of Customs, and be the chief authority of the department under Government.

The saving consequent on these changes would provide for that addition to the Government secretariat which appears to me to be absolutely essential to efficiency.

* The present covenanted establishments of the three departments are as under :

	<i>Rs.</i>		<i>Rs.</i>		<i>Rs.</i>
One Secretary -	36,000	Two Members -	1,00,000*	One Collector -	36,000†
Two Under Secretaries	30,000	Two Secretaries -	50,000	One Deputy Collector	19,200 ‡
	<u><i>Rs.</i> 66,000</u>		<u><i>Rs.</i> 1,58,000</u>		<u><i>Rs.</i> 55,200</u>
TOTAL -		-		<u><i>Rs.</i> 2,79,200</u>	

I would propose to give the Chief Commissioner of Revenue (so I would call him) one covenanted Secretary, as now, on 30,000 rupees a year, and a really good uncovenanted Assistant Secretary, who should be a fixture‡ in the office. The salary of the latter should range from 1,000 a month up to 2,000, the mean, therefore, being 1,500.

I would propose to give the Commissioner of Customs 40,000 § a year, and to allow him a deputy on 24,000, § and an increase to his uncovenanted staff of 9,000 a year.

The Government secretariat I would then propose to arrange on the scale of the secretariats at Madras and Bombay, viz. :

A Chief Secretary,
A Secretary.
Two Under Secretaries.

I would give the Chief Secretary *Rs.* 45,000 a year, and the other Secretary 30,000. At Madras the two receive respectively 50,000 and 40,000; at Bombay 40,000 and 35,000. The aggregate I suggest is the same as the aggregate at Bombay. But for reasons that I need not now enter upon, I prefer an allotment of 45,000 and 30,000 to one of 40,000 and 35,000.

I have no doubt whatever that this re-arrangement of offices would sensibly improve the

* Some small prospective reduction in these salaries has been recommended, but, seeing that a large saving has recently been effected (as far as Bengal is concerned) by the abolition of the third member, I think the existing salaries may fairly be taken into account for the present purpose.

† These are the mean salaries between the maxima and the minima.

‡ The greatest defect of our Presidency officers is the want of that high class *permanent* staff which the English system gives to the public offices of London. This can only be remedied under our system here by the introduction of a special and well paid uncovenanted agency.

§ These salaries may be fixed salaries or mean salaries as thought best. In the first case, if a mean salary it should range from 35,000 to 45,000.

the administrative machinery of the Bengal Government. There is no reason to suppose that one Chief Commissioner of Revenue could not with ease manage the business that would devolve upon him, aided, as he would be, by an efficient staff. He would be relieved of the sea customs business, and it would perhaps be advantageous somewhat to increase the powers of Commissioners so as still further to diminish the work which finds its way to the present Board of Revenue. But even, without this latter relief, I am certain that one officer would have no difficulty in coping with the work. This was Sir Henry Ricketts's opinion, expressed in the most unhesitating terms, and his plan, I think, contemplated the retention of the Customs business by the single officer (*vide* his Report on Civil Salaries). I am further of opinion that the work would be, on the whole, better done by a single officer than by a Board. As regards the Customs business also, I believe that the adoption of the Bombay constitution will be an improvement, and that it will give a greater vigour and consistency to the administration of the Customs Department than it has exhibited heretofore.

Then, lastly, as respects the Government secretariat, while there will be little (if any) additional work thrown on it, it will receive a most valuable accession of strength, not merely in getting an additional secretary, but by enabling the Lieutenant Governor to command, for the office of Chief Secretary, the best ability and experience which the service can afford.

The financial out-turn of my proposals would be as under,—

Rs.	Rs.	Rs.
One Chief Secretary - 45,000	One Chief Commissioner of Revenue - 50,000	One Commissioner - 40,000
One Secretary - - 30,000	One Secretary - - 30,000	One Collector - - 24,000
Two Under Secretaries - - - 30,000	One Uncovenanted ditto - - - 18,000	Addition to Uncovenanted Agency - 9,000
<u>Rs. 1,05,000</u>	<u>Rs. 98,000</u>	<u>Rs. 73,000</u>

TOTAL - - - Rs. 2,76,000 (being Rs. 3,200 less than at present).

If the changes I have here sketched are sanctioned, I think that Bengal may remain as a Lieutenant Governorship, without risk of an actual break down.

But I must not shrink from saying that, in my judgment, full justice will not be done to the large and important interests of the lower provinces of Bengal, that is to say, Bengal Proper, Behar, Orissa, Assam, and Chota Nagpore, until the constitution of a full government, with an executive as well as a legislative council, is given to it.

Were this done, I think the Board of Revenue, or the substitute I have proposed for the Board, might possibly be dispensed with. One of the Members of Council taking the revenue business as his special department, and disposing of all but important references on his own responsibility, I am under an impression that the principle of a division of work between the members of the Government, which was formally adopted by the Government of India in Lord Canning's time, was developed at an earlier period, and to a considerably greater extent, in the other Presidencies, and especially in Madras.

I have always understood this to be so, and Lord Napier, when in Calcutta the other day, certainly gave me to understand that a large share of the business of the Government was at all times transacted without reference to him, while, when he was absent on tour, nothing but really important matters was sent to him from the Presidency. It is, indeed, obviously impossible that when a business of a Government gets beyond a certain limit, it can be properly transacted otherwise than by some such arrangement. The business of the Bengal Government unquestionably has reached the point when such an arrangement would be advantageous to the public interests, but short of it a sensible relief may be afforded to the Lieutenant Governor, and, in my judgment, the efficiency of the public service much improved by the alterations which I have suggested.

If they should commend themselves to your Excellency, I may observe that it will probably be practicable to give effect to them in June of next year, Mr. Grote's period of service expiring in that month. There is time in the interval to obtain the sanction of the Home Government.

The division of duties between the two secretaries is a matter for consideration hereafter, if the general plan should be approved. I should wish, before settling anything, to obtain full information as to the arrangements at Madras, for the working of the secretariat of that Presidency has always struck me as being particularly good and efficient.

Yours sincerely,
(signed) W. Grey.

Enclosure 3, in No. 1.

MEMORANDUM by Sir G. Yule, K.C.S.I., on Administrative Changes in Bengal.

I so entirely concur in all Mr. Grey's views, as expressed in his reply to His Excellency of the 6th instant, except, perhaps, as regards the Executive Council, that I need only say why I do agree with him.

2. There is a want of life in the Bengal administrative system, the proximate cause of which

which is the absence of any close or intimate knowledge of the people on the part of the officers, and, consequently, of the sympathy in their wants which can be produced only by knowledge. This absence of knowledge is a feature in the Bengal system, co-existent almost with our possession of the country, and taking its origin partly in our own administrative (especially revenue) measures of the last century, partly in the circumstances of Bengal itself. It must be recollected, also, that the opinions of the time just referred to were very different from those held in the present day, and that while the North-West has been created a separate Government, and the Punjab and Central Provinces sprung into existence after these new views had been adopted by the most enlightened men in our Indian administration, Bengal, made a separate Government at a much later date, has not yet been permeated by the new doctrines.

3. Until its late separation, and even that is not so complete in practice as between the North-West and the Supreme Government, Bengal was under the direct sway of the Governor General in Council, who, of course, had other and more important matters to attend to, so the Judicial administration was left entirely to the Sudder Court, and the revenue entirely to the Board of Revenue, both composed for the most part, until of late years, of men of marked ability, but civilians, nevertheless, who naturally continued the system under which they had been educated, and to whom attention to the wants of the country, except in their own particular line, was a thing unknown. The District Officers of course did as their predecessors had done, and their superiors continued to do; and so long as they kept tolerably clear files, and did not allow arrears of revenue, nothing else was required of them. Of course there were exceptions, and many. One man would make roads through his district, another establish dispensaries, another cleanse his bazaars (I do not recollect any one taking to schools until very recently); but these works were effected more by direct order to the police and zemindars than by means of influence with the people; and, there being no systematic attention paid by Government to such matters, the good done by one officer disappeared under the neglect of his successor.

4. The appointment of Commissioners, in direct communication with the Government, had a tendency, of course, to remove the neglect of all but Judicial and Revenue duties, but this tendency was long inoperative because the Commissioners themselves had always been accustomed to look on these as the only two Departments requiring attention, and because they looked to the good name they acquired with the heads of these Departments—the Sudder Court and Revenue Board—as the means of their own promotion to the high offices in question; if the heads were satisfied, Government troubled itself with nothing more. In fact, the Government of India knew nothing whatever of Bengal, and, leaving the administration to the heads I have mentioned and to a Secretary from the same service, the Bengal system became more and more fixed in the old grooves, and still, to a very great extent, runs in them.

5. One of the two great reservoirs of tradition, the Sudder Court, has been cleaned out, the other, the Board, still remains. My opinion as to its further retention may be inferred, but I have more to say.

6. I cannot recollect an instance in which the Board, to my knowledge, exercised any influence for good on the local officers under it, in which it helped the good or restrained the bad; it never seemed to me, in fact, to have any influence at all, while, by intervening between the Government and the local officers, it greatly lessened the knowledge and the influence of the former.

7. In short, I have always, I cannot say wondered at the retention of the Board (for the reasons of retention were self evident), but I have always looked on it as certain that, when once institutions came to be regarded from the point of utility only, the Board must and ought to go. Doubtless it was useful, more useful than a single officer would have been in the days above alluded to, when Bengal was ruled by it, a High Court, and a Secretary, but these days are gone, and a Board is now, under a separate Government for Bengal, much less useful than a single officer would be, acting directly and immediately under the Lieutenant Governor.

8. I do not think any change in the constitution of the Board could possibly effect what is wanted, as one of the main essentials to improvement in the Bengal system, viz., direct communication between the Government and the divisional and district officers,—one of the greatest stimulants to acquiring a knowledge of his work and doing it well and energetically, on the part of the local officer, is his finding himself immediately under the eye of the Government, in whose hands rests the dispensation of praise and blame, of promotion and degradation; and the more the direct line is broken, by the intervention of semi-independent bodies, the less is the real influence of the Government, and still less is its perception by subordinates.

9. But a substitute for the Board is absolutely necessary, were it only to look after routine and details, whereas the substitute ought to do more than the Board has ever done. Personal examination, for instance, of the different Collectors' offices, and comparison of the different systems of work, would have a vast effect in methodizing work, if not reducing its cost, and would tell the Government, more than all the returns ever compiled, how each officer knew and did his work. A Chief Commissioner of Revenue, the eye, and ear, and hand of the Government, as it were, would have incredibly greater influence

influence than any Board or member of a Board, particularly a Board familiarity with which has had its usual result.

10. I concur, then, most fully in the belief that the Board must and ought to be abolished, and that a substitute for it is absolutely necessary.

11. There are two ways of providing a substitute, one by giving the Government a revenue secretary, the other by the appointment of a Chief Commissioner of Revenue; and I have no hesitation in saying that the latter is infinitely preferable to the former. The designation of the officer ought to imply that he has a certain extent of independent authority, for the due exercise of which he is responsible, and he ought to be free to go and come where he pleases, still carrying on the duties of his office. And, whether rightly or wrongly, a secretary would not, whatever his powers, carry with him the same extent or the same kind of influence over the public, or the officers subordinate to him, that a Chief Commissioner would. In Bengal there has been for a long time past (I do not say there is now) a taint on the public mind about secretaries, which alone ought to be a valid objection to entrusting one with the functions now performed by the Board.

12. I think the salary of a Chief Commissioner of Revenue, proposed by Mr. Grey, by no means too high, considering his position and duties, and the secretariat proposed for him is also moderate.

13. I know so little about the customs and salt departments that I cannot give an opinion on the proposal to manage them by a Commissioner with no other duty. Certainly, I think it would be very unadvisable to encumber the Chief Revenue Commissioner with these departments, which require, for satisfactory working, a speciality of knowledge not likely to be possessed by an officer who had undeniable qualifications in the Revenue Department.

14. The opium, however, would continue, I presume, to be under the revenue officer, connected, as it is, with his department in his most important part, the dealings with the ryots; and the opportunity might be taken to reduce to a moderate scale the allowances to the opium agents, and make these offices tenable by younger and more active men than have generally held them.

15. As regards the Chief Commissioner of Revenue, I would give him superintendence not of revenue matters only, but of all administrative duties not directly a part of the Judicial Department, of municipalities, local funds, and works, education, &c., with such restrictions regarding the latter as the necessity of having a Director of Public Instruction might involve. I can conceive no greater stimulus to progress in all these important but much-neglected duties than a regular system of supervision and local inspection by an officer like the Chief Commissioner, the eye and the hand of the Lieutenant Governor; and one great reform could be carried out by such an officer, which the Board has always failed in, viz. compelling officers to visit their districts regularly, and in order to become acquainted with them, instead of irregularly, briefly, and too often for amusement.

16. The next point which these papers seem to suggest for consideration is the reduction of the territorial limits of the Lieutenant Governorship. This, I believe, is admitted to be a necessity, not only as a relief to the over-burdened Government, but as affording the means of doing justice in all respects to the outlying portions of the province.

17. These are Assam, in which may be included the Cossya Hills, Jynteah, and Cachar, and so far as we are connected with it, Munneepore; second, the south-western agency or Chota Nagpore; third, Cuttack or Orissa.

18. Of these three tracts, the separation of Assam, and the constitution of a separate administration for it under his Excellency in Council, seems in the first degree desirable, absolutely necessary, I would say. The large extent of country, its distance and difficulty of access from Calcutta, the internal obstacles to locomotion, all combine to render it impossible for the Lieutenant Governor, considering his other duties, to obtain the knowledge and exercise the supervision which a province so valuable, and hitherto so utterly neglected, demands.

19. The number of savage tribes in or surrounding the province affords alone, it seems to me, a sufficient reason for having on the spot an officer of the character which it may safely be assumed a Chief Commissioner selected by the Government of India out of the large field open to it, would possess; an officer fully acquainted with the views of Government, possessing its confidence, unbiassed by the traditions which in a small isolated province so soon become more powerful than law or orders, experienced in what has been done elsewhere, able to ascertain facts for himself instead of getting them filtered through a coloured sieve, able also, in most cases, to give redress or assistance at once, or, nearly as important, to refuse it at once, &c., &c. Why, such an officer would in a very short time completely change the face of affairs in Assam. The effect of such a local administration, too, would be particularly useful as regards the large body of tea planters in Assam, Cachar, &c., whose number will greatly increase as soon as the still existing difficulties are overcome, and who never will be and never can be expected to be content with a rule from so remote a place as Calcutta. But there are two things without which the best Chief

Commissioner will not be able to do nearly what will be expected from him, viz., plenty of money to make justice accessible to all, and to make roads, as means to justice as well as necessary instruments to progress in other ways; and, secondly, an infusion of new blood into the official body, with an occasional interchange of officers with other provinces.

The division of the province into two commissionerships seems also essential to improvement.

20. As regards Chota Nagpore, it resembles Assam only in the extent of jungle. Its importance as yet by no means demands separation. It does not give the Lieutenant Governor, I believe, any great amount of work, and it is so close to Calcutta that supervision is comparatively easy.

21. Orissa.—I am of opinion that, for the administration of this province also, separation from Bengal is not necessary, though, if funds were available, that measure might be carried out with good effect. But considering the size of the division (even including Midnapore, which, as a permanently settled district, there would be some difficulty, probably, in separating from the rest of Bengal), and its proximity to Calcutta, I think there can be little difficulty in securing its efficient administration under the Lieutenant Governor, especially if a Chief Commissioner is substituted for the Board, provided always an efficient divisional Commissioner is selected; and to this end, I should be very much inclined to recommend that a higher salary shall be attached to the Cuttack than to other commissionerships, and that the selection should not be confined to the civilians in Bengal or to civilians only. The fact of Ravenshaw's appointment to Cuttack seems to me to indicate the desirability of increasing the field of selection. A more honest, zealous, hard-working man than Ravenshaw there is not in the service, but he has had little or no experience except in the detection and punishment of crime, and naturally failed to see the approach of evil of any other kind.

22. Mr. Grey has shown the necessity for increase of strength as well as higher pay to his secretariat; and as regards a council, I shall only express my hope that the attempt to increase efficiency by means of the above changes may first be thoroughly tried.

23. With a legislative council, a high court, a chief commissioner of revenue, and a secretariat on the proposed constitution, no Lieutenant Governor ought to be at a loss for advice.

(signed) *G. U. Yule.*

18 July 1867.

Enclosure 4, in No. 1.

MEMORANDUM by *J. D. Gordon*, Esq., C.S.I., Private Secretary to His Excellency the Governor General and Viceroy of India, on Administrative Changes in Bengal.

THE size and importance from wealth and population of the provinces which are comprised in what is termed "Lower Bengal," would certainly deserve the constitution of a full government, *i.e.*, a government with an executive as well as a legislative council. But I am inclined to think that the alternative arrangements which the Lieutenant Governor suggests, aided by the diminution of work which the formation of a chief commissionership, comprising Assam, and most of the country north of the Berhampooter and Cachar, under the Government of India, will cause, will prove, for the present at least, the more desirable arrangement. The weak point of the full Government would be, that the Governor would certainly be sent from England. Now it is certain, as a rule, that a man so sent would not be as useful a man for Bengal as a man whom the Viceroy would select from the practical working men trained in India.

I think there is no ground for a chief commissionership in Orissa. If a specially good man were selected for that province, with a salary specially high, it would answer every purpose. A full government would, however, be far preferable, in my opinion, to the disintegration of Lower Bengal, and the trouble to the Supreme Government which would result from the creation of unnecessary chief commissionerships. But I am not sure that, when Mr. Grey's proposals, good as they are, have been adopted, that nearly all that should be done will have been done. The machinery which is necessary for the effective discharge of the duties of the administration, as it affects the Lieutenant Governor himself, and the highest officers of the Local Government, will have been put on something like a suitable scale; but the defects which exist, and which affect our practical administration, defects which the improved machinery in the highest branches, if adopted, will very soon expose, will still remain. The topmost boughs of the tree will have been cared for and tended, but the lower branches and the roots, in which mainly the health of the tree lies, will not have been similarly looked to.

Bengal is not, it must be admitted, and has not been altogether satisfactorily administered. She contrasts in many respects unfavourably with less advanced parts of India. Much of this is owing to the injustice with which she has been treated. She has been the milch cow, as it were, of the Government of India. Her population are quiet, uninteresting

teresting comparatively, and uncomplaining, and much of her area is difficult of access, and historically of little interest. It has so therefore happened, that money has been grudgingly bestowed on her, whilst her riches have been readily taken to improve distant acquisitions, whose history, places of note, and people were politically more important and generally more interesting. Hence it has been that means of communication and general administrative improvements have been, for want of money, less cared for than they should have been. Very much less money has been allowed to her than to other provinces, although, from the nature of the soil and climate, and the features of the country, very much more money was required to produce even like results.

It is no doubt true, as a general rule, that the officers in the administration, *i.e.*, the collector-magistrates, are not sufficiently conversant with the people and places of their districts. The officers are not to be blamed for this; it is the system. It is very well for the Board or the Commissioner to say to a district officer, "Travel about your district, make yourself acquainted with its people, their condition, and their wants," &c. &c.; nothing could be more correct and desirable in theory; but I speak from experience that it is very difficult, under the system which prevails, for the best intentioned officer, for one indeed who has a love of camp life, to be as much in his district as he wishes, and as undoubtedly he ought to be. He has masters calling to him from every quarter, and calling simultaneously. The public, the Government, the Board, the Commissioner, the High Court, the gaol authorities, the police authorities, the officers of account, each of whom supposes the work of his department to be not only more important than any other, but to be all-important. The amount of office work which the correspondence, and the numerous and elaborate statements which are now always required, and which are doubtless of much value, entails, is beyond conception. These are mostly required, too, during the season when camp life is alone practicable. The greatest importance is naturally attached to the punctual submission of these papers, for otherwise they are not of value, and so practically the real work of the district, that which affects the happiness of the people, is made secondary to the mere clerk work. It is natural that a man should do the work which his master considers most important. If English reports and statements are not submitted as they should be, those in high office condemn the district officer, and their condemnation of him ruins his official character. So that the man who may be doing quietly real good as a district officer may be, and would be held to be, inferior to him who, neglecting the work which produces the welfare of the people, has a habit of punctuality in the submission of his returns, and a facile pen for his general English reports. The remedy for this is to increase the staff of district officers. I ought to mention too, *en passant*, that there is a rule which prohibits the receipt of travelling allowance by a district officer when in camp, in his district, whose salary may exceed 23,000 rupees per annum. This is a strange rule, for members of the Board of Revenue, Commissioners of Revenue, judges, settlement officers, secretaries and other officers, invariably receive travelling allowances, though they may be in receipt of salaries much in excess of 23,000 rupees. I do not say that this rule prevents all officers affected by it from travelling about their districts. But it is clearly not likely to induce camp life, when it adds the objection of expense to other difficulties in the way. I would cancel this rule as inconsistent and impolitic.

We must improve our district administration. I am satisfied that Lower Bengal is as well supplied with officers, zealous, able, and industrious, as any other portion of India, but they are over-weighted. Their legs are tied, and it is not surprising then that they cannot run.

The objects to be gained are,—

1. That justice be done between man and man as well as possible.
2. That justice be brought within reach as much as possible.

It has been said, and said with truth, that we lack in Lower Bengal reliable connecting links between the district officials and the people. It is so, owing mainly to the existence of the permanent settlement and the arrangements which it brought about.

In Bengal we have not tehseldars, and I doubt very much the expediency of now attempting to introduce that system. In Orissa the experiment might perhaps be tried with advantage, as it is not permanently settled; nevertheless, I think tehseldars are not indispensable. Good practical administration in these days of greatly improved communication and increased civilization can be secured without their aid. In part, too, we have something of the sort, though not of course by any means the same thing. Our subdivisional officers in theory are for some purposes in lieu of tehseldars, and when good men they answer valuable practical purposes. "But still they do not suffice." We must either increase the number of superior officers in each district, or what would be certainly more advantageous, we must increase the number of the districts, by forming new ones made up of the excess of those now existing. Many districts are far too large. Even when decreased, assistance will sometimes be necessary in the shape of subordinate officers. If the districts be not diminished and new districts created, then an extra officer should be appointed to each district, specially for judicial work, so as at certain times to release the magistrate from the head-quarters of his district. But I incline to think that the decrease in size of many of the districts would be very advantageous.

Another great evil, in a great measure under the present system irremediable, is the frequent change of district officers. A good officer enters a district and stays there a year, perhaps two or three years, though of late years it has seldom, I believe, happened

that an officer has remained for three years as Collector-Magistrate of a district. When he knows every place, and every man of importance, the general wants and the prominent crimes of the district, when, in short, as regards that district, he becomes positively invaluable, he has suddenly to leave it. This constant change in all our administration is a curse, and renders good government scarcely practicable. In a district a man gains no hold of the good people in it, who are naturally chary of becoming intimate and unreserved with a man who, with them to-day, may leave them to-morrow; he gains no knowledge of the bad people, for he has not time and opportunity to find them out. So that a district officer is prevented by the uncertainty of his tenure from supporting and encouraging the good men, and from repressing the evil, and from obtaining that "dukhl," that personal influence, which in India is notoriously of so great value. It is not easy to over-estimate, in my belief, the harm that this constant change of officers produces. How old in their respective posts, I would inquire, were the officials in Orissa, one and all, in 1867. If, for instance, in lieu of Mr. Ravenshaw, an active industrious officer I know, but quite without local experience, a man had been at the head who had long been in any part of Orissa, is it likely that there would have been for so long such ignorance as to its real state? Had a man such as Sterling, Sir H. Ricketts, Mr. Moffatt Mills, or Mr. Trevor, or Mr. Shore, a man in fact with thorough local knowledge, as they had, been there, would not the true condition of the province have been in due time known and made known? Undoubtedly it would. Cannot a system be devised by which, when an officer becomes valuable, when he has his heart in his work, and when perhaps he is suited specially to district work, he may be retained as such without pecuniary loss, instead of being compelled by self-interest to leave all the labour in which he has exerted himself, in order to join a post, say that of a judge, which he may very much dislike, and for which he may be very unfit. Could it not be so arranged that such officer, when entitled to promotion, carrying increase of pay, should receive such increase of pay and stay where he is. The fact is, I believe, that sooner or later a separate judicial service will be necessary. I do not think that this separation should take place from the starting post in the career of a civil servant. On the contrary, I hold that it is most desirable, indeed an almost essential qualification to a really good district judge, that a judicial officer should, for a few years at least, have the experience of the people and the country which the ordinary training of a district officer gives. But I think that it will prove more valuable to the country to keep district officers long at their post, than to transfer their services as a matter of course to the judicial posts.

For the present a real reform, in addition to the improved staff for the Lieutenant Governor, which Mr. Grey proposes, will be brought about by the increase in the number of districts. No increase of Commissioners seems required.

J. D. Gordon.

Simla, 30 July 1867.

Enclosure 5, in No. 1.

Memorandum by Sir *R. N. Hamilton.*

THE position of the Lieutenant Governor of Bengal is materially affected, and in some degree weakened, by his residing at the seat of the Supreme Government, Calcutta; the presence of the Governor General and Viceroy does, so to speak, eclipse, if not extinguish, the Lieutenant Governor.

The Governor General is Governor of Fort William, and has a Deputy Governor. Now, could not the deputy governorship of Fort William be utilized? Why should he not be Deputy Governor of Fort William, and of the town of Calcutta? By including Calcutta within his Government, it would be brought directly under the Government of India, and the Lieutenant Governor of Bengal would be relieved of all that relates to and concerns the town and port of Calcutta.

Such an arrangement would be very beneficial to Calcutta itself; it would relieve the Lieutenant Governor of Bengal of a mass of detail and urgent business quite unconnected with the revenue, judicial, or civil administration of Bengal, to which he should have full leisure to attend.

The Deputy Governor, by being in direct communication with the Governor General, or Government of India, would be able to carry on the business of the port and town with far greater facility and expedition than the present arrangement permits.

Calcutta itself requires the whole time and attention of an intelligent administrator, who would have that responsibility put on him which is now lost in a Lieutenant Governor of Bengal.

Calcutta is increasing, and though its increase may not be so great or rapid as heretofore, if Bombay maintains its rivalry, still its importance will require, as it does now require, the whole attention of a Governor or superior authority. The references to the Supreme Government are numerous and many, and often pressing; the port, harbour, the municipal affairs, the health, drainage, water supply, lighting, police, roads, local taxation, schools, colleges, chamber of commerce, and public institutions, all have, at one time or another, to refer to the Lieutenant Governor of Bengal to obtain the orders or sanction of the Supreme Government. A Lieutenant Governor, on his tour, or at Darjeeling, is an obstruction;

obstruction; and as he can only give his time to the consideration of such references with reference to other important matters from the province of Bengal, the Lieutenant Governor has more work than he can get through well, or well get through. Now, a Deputy Governor, as above suggested, would have only this Calcutta work to do, he would be in direct communication with the Governor General and Government of India; Calcutta business would be more speedily and far more energetically done, alike to the public benefit and to the credit of the Supreme Government.

The duties of the Lieutenant Governor of Bengal, less Calcutta, would then be similar to those of the Lieutenant Governors of North West Provinces and the Punjab; he would not be tied to Calcutta, even if he continued to reside there, and he would not be hurried in his tours. He would have full time to examine into all matters on the spot, or at the several stations, and he might periodically convene the several divisional commissioners for discussion and consultation, and thus become personally acquainted with the wants and the management of districts, and of the calibre and capacity of district officers. If this plan were adopted, there could be no necessity for a Board of Revenue; the Lieutenant Governor would be, as he should be for efficient Government, in direct communication with the divisional commissioners, whose responsibility should not be diluted by the interposition of a Board of Revenue.

Boards of Revenue are not now essential, neither are they now expedient. They are truly screens and buffers. If the local officer is weak and supported by the Board, his proper responsibility is removed; if the Lieutenant Governor yields to the Board, his responsibility is lightened. The administration suffers. Where there is power, there must be responsibility, and responsibility must be enforced. Young officers do not like to go against the Board; they do not, as a rule, argue a point with the Board; they receive the Board's instructions, and carry them out; they do not feel the responsibility. This *non-responsibility* is fatal to good administration. Put aside the Board, and the local Commissioners are brought face to face with the Lieutenant Governor; should he fall back on a subordinate, that subordinate is brought face to face, so to speak, with the Lieutenant Governor; responsibility thus becomes a reality, and is felt; if the local officer is wrong, he suffers; if the Commissioner, he feels it, and if the Lieutenant Governor, he ought to suffer. Under the existing system all may be wrong, and no one suffer, the responsibility being frittered away.

The Lieutenant Governor of Bengal needs no further aid than his secretary; if the Board be abolished, he would be only as the Lieutenant Governor, North West Provinces and Punjab, and the abolition of the Board would furnish funds abundant to pay the cost of a Deputy Governor of Fort William and Calcutta, with a Secretary, and there would be a reduction in the Bengal secretariat by the transfer of the Calcutta duties to a Deputy Governor; in short, there would be a financial as well as a public gain.

The Presidencies of Madras and Bombay require a Governor, and a Governor at either Presidency requires a council. It is always for the best interest of India that the Governors of Presidencies and the Governor General and Viceroy of India should not be drawn from any of the Indian services, but be selected from among British statesmen or men trained in England. The fresh English European views of an educated English gentleman are invaluable in the Council in India, the members of which belong, it may be said, to one or other of the parties or particular sections which exist in India, as in all our colonies.

The unbiassed impartial judgment of a clear-headed, well-educated English Governor is fully appreciated in India by the natives, where the value of every member of council, his particular views, his personal influence, and his private character are accurately known amongst the native community, and at the native courts.

Calcutta cannot, as the seat of the Supreme Government, be a Presidency Government, as Madras or Bombay. The Governor General must always be supreme, but it may be a Government of Bengal, as the Governments of the North West Provinces and Punjab. A Lieutenant Governor needs no Council; he must be a man of large experience and administrative capacity.

R. N. Hamilton.

— No. 2. —

MEMORANDUM by Sir F. Halliday.

THE chief difficulty which has impeded the good working of the Government of Bengal since the establishment of a lieutenant governorship has been the presence in the same place with that governorship of a higher and therefore overshadowing authority, that, namely, of the Governor General in Council.

It has never since been quite clear to anybody whose was the real power and authority. There have been, on important and pressing occasions, doubt and uncertainty where there should have been promptitude and decision. The authorities themselves have been apt to hesitate, and to shift the burden of

responsibility before action, and to wrangle afterwards about the results; and the people have been prone to look through and beyond the lower authority to the higher, which is among them and before them, and, halting between two masters, to find themselves astray and bewildered. On the whole, and as a net result of the present system, as compared with that which preceded it, there has been less force in the administration, and less contentment and satisfaction in the country administered.

The same effect would follow in Madras or Bombay if the Supreme Government were transferred to either of those Presidencies to sit there permanently. There would be there, as there now is in Bengal, an *imperium in imperio*, with all its inevitable consequences. There, as in Bengal at the present moment, the inferior Government would be called upon for everything, and would be capable of very little; it would be thwarted, interfered with, questioned, kept continually on the defensive. A harassing and vexatious correspondence would constantly be set up, wearing to the spirits and irritating to the temper of all concerned, especially as in India these differences never are and never can be kept from the knowledge of the public. Authority would be weakened on both sides, while disputes were exasperated, and there would be there, as now in Bengal, an interminable washing of dirty linen before the world, to the great abatement of dignity in all engaged in the operation.

This would happen under any constitution of the superior Government, whenever it might be put down permanently over against the subordinate Government, as now in Bengal. But the uneven working of the machine thereby occasioned would doubtless be still further increased if there should happen to be, as indeed there generally must be, among the members of the superior Government, one or more persons qualified by talents and antecedents to compete with the inferior Government in local knowledge and in experience of details; for such persons will never let their accomplishments remain undisplayed or unexercised.

Something there is of these difficulties, though in a much less degree, in the relations of the Supreme Government with those of Madras and Bombay, from whence complaints of undue and harassing interference are occasionally heard. But the distance at which these Governments are placed from the superior Government impairs or forbids, as to their affairs, any minute knowledge in the minds of members of the superior council, and mitigates, if it does not altogether extinguish, that keen and searching interest in local matters which excites to troublesome interference, and which is engendered by actual presence on the scene of action, and by opportunities of personal communication with those concerned in them.

Nothing of this would be obviated by any change in the constitution of the Bengal Government. Indeed, a Governor appointed and chosen in England might be more exposed to it than a Governor chosen for his familiarity with the details of Indian administration; and if he had a council, that would not help him, seeing that councils do not hinder much occasional soreness, even in the distant Governments of Madras and Bombay. A council in Bengal pitted against the Council of India, present in the same place, might indeed heighten the turmoil.

Neither would it mend the matter to place Calcutta under the Supreme Government, as has been proposed. Perhaps it would only make things worse. The difficulty to be solved does not arise in Calcutta only, but is felt in every part of the country of which Calcutta is the capital. Moreover, Calcutta cannot be governed separately from the country to which it belongs, with which it is in incessant communication, and with which it is indissolubly connected by a thousand ramifications. You might as well separate the belly from the members.

But the notion of making the Supreme Government govern Calcutta, though absolutely impracticable as so stated, contains nevertheless the germ of the real and only remedy for the present difficulties. You cannot have two kings in one kingdom, neither can the supreme and subordinate Government rule together in Bengal. Where the Supreme Government resides there it should govern,
and

and not the mere city of Calcutta, but, of necessity, all that belongs to, and goes with, and cannot be separated from Calcutta, even all Bengal, Behar, and Orissa. Whatever experiments be tried, this is what it will come to at last; this is what it will come to now; though feebly, fitfully, and imperfectly. It had better be accepted and adopted, and made a real and strong thing once for all.

If this should prevent the council of the Governor General from leaving Calcutta so much the better. The absence of the Governor General from Calcutta is an evil, but often a necessary evil. The absence of the council from Calcutta is always an unnecessary evil; and it tends to make the absence of the Governor General more frequent than it need be.

At present, the members of the Governor General's council divide the business departmentally. One department should be the Department of Bengal, entrusted to a member specially chosen. He might be appointed and styled Deputy Governor or Vice-President. He would transact the details of Bengal administration, at all times bringing all needful matters before the council; and in the absence of the Governor General he would preside in the council, as of course. You would thus secure counsel and control for the Bengal chief administrator, not by tedious and wrangling correspondence, as at present, but by healthy hand-to-hand debate and discussion over the council table; differences would not be published to the world, and the whole weight and authority of the Supreme Government would be given to the ruling of Bengal.

I need not say how greatly this is to be desired. The large recourse to, and residence in, Bengal of Englishmen of all kinds, and the ever-growing complication of interests between them and the natives, render its administration a matter of great and constantly increasing difficulty. No feeble Government can pretend to meet it; and a double Government like the present must always be feeble.

If the present area of the Bengal Government be thought too large for this method, it may be reduced. Assam, for instance, might well be otherwise provided for.

If the Supreme Government, *i. e.*, the Governor General and his council, were stationed out of Bengal, you might properly place Bengal upon a like footing with Madras or Bombay. But I am not one of those who think it possible so to remove the head-quarters of the Supreme Government. At all events, if it were removed to Madras, or Bombay, or Agra, or Lahore, the same difficulties would arise as are now felt in Bengal, and from the same causes.

(signed) *Fred. Jas. Halliday.*

— No. 3. —

MEMORANDUM by Sir *F. Halliday*, to be circulated, by Sir *S. Northcote's* Desire, amongst the Members of Council.

SINCE writing my last paper on the government of Bengal, I have been permitted to see the Report of the Special Committee, and Sir Stafford Northcote's letter regarding it, both dated 14th November last; and I perceive that the subject under consideration is larger than I had supposed.

Approaching it in the more logical method suggested by Sir S. Northcote, and desiring at the same time to compress my remarks within the smallest possible limits, I would state, regarding the government of Bengal, that its importance is not less than that of Madras or Bombay, and requires as strong and efficient a constitution. It is indeed not easy to make any of the three governments too strong for the work it has to do. In none of them do I conceive that a single unaided Governor, or Lieutenant Governor, would give satisfaction; and, in the same place, with no one of them would it be possible, in my opinion, to fix a central superior Government of the present form, without greatly impairing, if not destroying, its efficiency.

Next in order is the question, What is to be done with the central superior Government?

This has, from its creation in 1832, been placed in Calcutta; and there it has shown a strong tendency to remain, although the fitness of that position has been often and keenly contested. By some it has been suggested that it should be transferred to Bombay; by others, that it should visit every Presidency in turn. Some have advised that it should continually move about all over India, and others that it should be fixed at some place in Upper or Central India. Not a few have earnestly desired that it should dwell on the summits of the Himalayas.

I confess that I have not been able to imagine the possibility of a peripatetic Supreme Government. The great problems that come before it are not, I think, to be solved, as it were, *ambulando*, even if the machine itself were not too cumbrous for Oriental difficulties of locomotion.

So also as to a residence in the mountains. It would remove the Government too far from the centres of political, financial, and commercial activity. With a really strong Government in the Anglicised Presidencies, carrying the support and sympathy of the press and the people, and within ear-shot of the echoes from England, the distant and semi-Orientalised Himalayan authority would, I fear, become either a nullity or a nuisance.

It remains only that the Supreme Government fix itself at one or other of the Presidencies, and whichever were the Presidency chosen, it must either impede or absorb the local government of that Presidency. I have elsewhere stated why I think it ought to absorb it.

For the business of a local government, it will be said, the Supreme Government has no time. To this I would ask permission to reply that its present work might possibly admit of much reduction.

Under the old constitution that grew up, naturally, from the days before Lord Clive to those of Lord William Bentinck, each Presidency was, in India, independent, and communicated directly with the Home Government. Gradually it was seen that the larger foreign relations, and the general arrangements of finance (not by any means its minute details), required one head. For this, therefore, was chosen one of the local governments, which, not ceasing to be a local government, became also for such matters only, the Governor General in Council. There was never, in those days, any thought of interfering with the executive or legislative business of the other Presidency Governors, neither was the Governor General, while engaged in the high concerns of peace and war, liable to be called on, as I last week saw the Viceroy in Council doing spontaneously and without being called on, to settle the fares of fourth-class railway passengers.

I cannot help wishing that it were possible to return a little upon the old ways; to leave the local governors to do their own work for themselves, controlled wholly or chiefly in England, and to divest the Viceroy in Council of powers, and relieve him of labours, too vast and various to be successfully undertaken, bringing him thereby into a position more nearly resembling that which was once thought not unsuited to the genius and ability of a Wellesley or a Hastings.

16 December 1867.

(signed) F. J. Halliday.

— No. 4. —

FURTHER REPORT on the FAMINE in *Bengal* and *Orissa* in 1866, with
Appendices.

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REPORT of the COMMISSIONERS appointed to Inquire into the FAMINE in *Bengal* and *Orissa* in 1866.

PART THE FOURTH.

Changes in the Executive Machinery of Bengal suggested by the Experience of the Famine.

THE other Commissioners having returned to their ordinary duties, the following is submitted by the President alone.

The weakness of executive administration which recent events seem to have disclosed in Bengal, may probably, in a great degree, be remedied or mitigated by shortening the present inconvenient length of the official chain in two ways; first, by diminishing the number of official grades, and thus rendering communication and responsibility more direct and tangible; second, by so re-arranging the system of promotion that the number of changes shall be fewer, and that officers, being more permanent in particular departments and appointments, may become more experienced, and may be made more influential. At present the official chain may be said to comprise the following separate offices:

- | | |
|------------------------------------|-----------------------------|
| 1. The Police, | 4. The Board of Revenue, |
| 2. The District Officers, | 5. The Local Government, |
| 3. The Commissioners of Divisions, | 6. The Government of India, |

from one to the other of which all information must go in regular official course, with the result, as seen in the sad experience of the famine, that facts of the utmost magnitude and importance become, as it were, diluted and lost before they reach the highest authority. And officers are promoted from collector to judge, from judge to commissioner, and so backwards and forwards between the executive and judicial departments in a way which interferes with their efficiency in either, and renders long experience in any particular appointment almost impossible.

2. The shortening of the official chain, and the strengthening of the local executive may be effected:—

By making the police a department of the magistrate's office; and entirely subordinate to him;

By eliminating at least one of the grades between the district magistrate and collector and the local Government, and placing the superior inspecting officers (who must always be necessary in so large a Government) in more direct personal communication with the head of the local Government;

By drawing closer the relations between the Government of India and the Government of the province in which the Government of India is located.

3. The too frequent changes of officers may be avoided, and very much greater efficiency secured, by the simple expedient of separating the judicial and executive departments from a certain point, not higher than the grade of district officer, after the fashion now followed in the Presidencies of Madras and Bombay.

4. It would, at the same time, be necessary to supply to the magistrate and collector, in Bengal, certain executive establishments such as are possessed by district officers in all other parts of India.

5. There can I imagine be no doubt, after the practical experience of a number of years that, as things are now arranged, the presence of the Government of India materially weakens the position, the authority, and the responsibility of the local Government, more especially in so peculiar a society as that of Calcutta; while at the same time the Government of India is not responsible for local administration, and has no sufficient knowledge of local events. There has generally been, under a succession of different governors, a certain amount of antagonism between the two offices; there is a constant appeal from one to the other, and, on the part of the subordinate Government, a certain jealousy of interference, which much cripples its action, and stands in the way of that hearty and entire confidence which might enable both to combine for the common good.

6. The remedy for this state of things which I would suggest, is to make the local Governor an *ex-officio* member of the Executive Council of the Government of India. There may be some theoretical objection to making a man, in some sense, in one capacity the master of himself in another capacity, but in practice I venture to think that the result would be to place the local governor more than he now is in the position of a member of the English Cabinet, administering a department of the State; to give him a fair and expedient opportunity of defending his own views in a Council in which he would but be one of several; to enable him on important questions to fortify himself with the opinion of the Supreme Government before committing himself to action (without either formal official reference or open appeal and clash of authority); and to render the superior Government much better informed regarding the progress of local events. The two Governments would be, if I may so express it, more in *rapport* with one another.

The provision which enables the Governor General to distribute the business of his office, and the extraordinary *ex-officio* character in which the local governor would sit in the Governor General's Council, would render it unnecessary that he should devote himself to all the details of the Government of India in all departments; his position would be similar to that of the Commander in Chief; he would necessarily take part only in those matters which concern his own special charge; but, at the same time, there are few great questions on which the opinion of the man actively engaged in the practical work of a local government would not be of the utmost value and importance.

7. While the change which I have suggested would, I hope, render the position of the local governor much more satisfactory and effective, the attendance at the Governor General's Council, and the attention necessarily bestowed on some Imperial questions, would no doubt in some degree detract from his working time, and so far might aggravate the evil of overwork, of which complaint is already made. Still more would this be the case, if, owing to the abolition of one of the intermediate grades, any additional business were thrown on the offices of Government. As a part of the scheme, it would then be necessary that some additional assistance should be given to the local governor. To follow existing precedents, this might be done in two ways; by giving him a Council, as in Madras and Bombay; or by giving him highly paid and responsible secretaries to whom much of the detail of business might be delegated. To each of these plans, I think that there are objections. Councillors are generally deliberative rather than executive; and my impression is, that in the minor Presidencies they are for the most part purely deliberative; that administrative work is not made over to individual councillors. While their opinions must add much weight to the decisions of the Government, they at the same time by dividing, weaken responsibility, and sometimes by difference of opinion, rather retard than hasten business. On the other hand, secretaries acting in the name of the governor stand as it were behind a screen—and, what is, it seems to me,

of

of the greatest importance, as mere secretaries, they cannot well be delegated for purposes of inspection and supervision apart from the governor. I shall return to this subject presently.

8. It has long been generally felt that the functions of the Commissioners of Division and of the Board of Revenue, to a great extent, as it were, overlap—that, in fact, both are not required, except in so far as any weakness or deficiency in one grade may be remedied by the other. If all the commissioners could be depended on as thoroughly efficient, there would be no occasion for the Board; if the Board were calculated to exercise an effective supervision, the Commissioners would not be required. The working of a body such as the present Board—exercising a stringent control on theoretical principles, but entirely failing to make itself acquainted with local circumstances—has proved, in a great Executive crisis, very unsatisfactory.

9. The commissioners in the Regulation District of the Lower Provinces are now eight in number. It may be doubted whether, as the services are constituted, and after a fair apportionment of ability to the judicial branch, so large a number of men will usually be found on whom sufficient reliance can be placed to act without the intervention of any such controlling power as the Board. The duty of some of the commissioners is already light, and by a little arrangement might be made much lighter. If, as part of the scheme of re-distribution the number of districts is somewhat diminished, and the position of the district officers is raised, the commissioners will be much further relieved of detail. I think that the present number of eight commissioners might be reduced by at least half. Those who remain might be placed and remunerated still more highly than at present. They would, to a great extent, combine the functions of the Board of Revenue with their own, the Board being abolished. There would be one commissioner for Behar, and say three for Bengal and Orissa; one for Western Bengal and Orissa, one for Eastern Bengal, and one for Northern Bengal. With the exception of the Behar commissioner, all these officers might perhaps, with advantage, make Calcutta their head quarters. That place is, in fact, more accessible from a larger number of districts than any other spot; and while all the commissioners would spend much time in moving about the districts committed to their charge, they might be used at certain seasons as a sort of consultative council; and to them, collectively, might be delegated the duty of settling general rules of practice, and such like matters.

10. As respects certain portions of the business of the Board of Revenue, I think that, since the opium districts are now so closely connected by railway, the two opium commissioners might be merged in one superintendent of the opium revenue, acting in direct communication with Government; and that there must be a highly-paid officer to superintend the other non-territorial revenues, the customs and salt, the excise, the stamps, the license tax, with any other taxes imposed or to be imposed, and the financial department of the local government.

11. One plan which I would suggest as avoiding the difficulties mentioned in paragraph 7, is that the governor should be assisted by an officer of the highest position as his deputy and councillor. There seems to be no reason why the head of the local administration should not be called “governor,” a title which would in no way interfere with that of the Governor General: and the deputy might then be called “deputy governor.” To him the governor might, from time to time, delegate any portion of his functions, especially much of the duty of local inspection and personal supervision. It would also be understood that the deputy governor would have an opportunity of giving and recording his opinion on all great questions, but the decision and the responsibility would rest with the governor alone, fortified as he would be when necessary by a knowledge of the views of the members of the Government of India. The working power of the local government would thus be nearly doubled without, I should hope, giving rise to inconvenient division of authority or of responsibility. The deputy governor might be employed as a sort of extraordinary special commissioner, whenever it might be found desirable to test, by a second opinion, the views, or fortify the action of the divisional commissioners. And the governor himself, without being overloaded with details, would be informed of everything of im-

portance, would direct the whole machine, and in his position, in connection with the Government of India, would inform and derive support from that Government.

12. It will be remembered that, in addition to the territorial commissioners, there will still be under the Government, not only the two high revenue officers mentioned in paragraph 10, but also the heads of various special departments, as of public works and education. There are the heads of the marine and medical departments, the legal remembrancer, the inspector general of prisons, the head of the municipality of Calcutta, superintendents of immigration, of forests, of surveys, the commissioners of non-regulation districts, and superintendents of petty frontier States. There will still be required an inspector of police, to report upon the arrangements of the several districts, and secure a certain uniformity of system in certain points.

All these things at present throw a mass of work on the Government, and distract its attention from the more important territorial questions; and by assigning to the deputy governor certain departments with reference to the personal proclivities of the two members of the local government, ample work might, I think, be found for the deputy.

13. I am aware that the suggestion of a deputy governor, subordinate to a governor, may be regarded as one of a novel character, such a functionary having been unknown in British India (the former deputy governor of Bengal was really governor for the time), and the title not being used in British colonies. But I would submit that not only is such a functionary found in almost all the settlements and colonies of other European nations, but that in all British colonies the colonial secretary substantially occupies the same position. An Indian secretary has always been subordinate in rank to members of council, or heads of executive departments. In the colonies, on the contrary, whether constitutional or crown, the colonial secretary is, I believe, a sort of prime minister, the acknowledged second in command to the governor (almost as much so as the first lieutenant in a ship of war), and the person who assumes charge of the government in case of casual or temporary vacancy. In Ceylon, for instance, I think that this is the arrangement. If then any objection be taken to the title of deputy governor, I would suggest the exercise of somewhat similar functions by a chief secretary, on the same footing as a colonial secretary, who shall be placed in rank, position and emoluments avowedly next to the governor in the administration, and superior to all the executive functionaries whom he aids the governor in controlling. To him the governor should be authorised openly to delegate much of his own powers of supervision. The chief secretary should also have the right of formally recording his opinions. The old Indian system of councils I venture to think, unsuited to proper executive administration, and I trust that the heads of the civil administrations in provinces where such bodies do not exist will not be encumbered with them. But that in some shape the Governor of Bengal must be assisted by high officers in a position to divide with him the labour of dealing with the various executive departments seems to be established, and that for general purposes one such officer should be his second in command, whether he be called deputy governor or chief secretary, I think highly expedient.

If the title of secretary be adopted for such a functionary, who is in fact more than a mere secretary, the officer charged with the non-territorial revenue and finance might also be called revenue secretary, and might combine with powers of supervision a personal connection with the governor as secretary, receiving his orders direct.

14. There is another department, in respect of which the present arrangements are very unsatisfactory. In judicial matters the lieutenant-governor is advised partly by the high court and partly by the legal remembrancer. The relations between the high court and the local government have never been quite all that could be desired; and I am inclined to think that the position of the court is now such that it can hardly with advantage exercise the same functions in connection with the administration of the judicial department, which the late Sudder Court found not inconsistent with its position at a time when the judges were in fact civil officers of the local government. It would probably be better for all parties if the court were more left to its more properly judicial functions, its

its opinion of the character and conduct of the subordinate courts, and on other matters, being generally expressed from the bench rather than as at present in a somewhat ill-defined administrative department. On the other hand, the legal remembrancer does not at present occupy a position sufficient to enable him to relieve the high court of its administrative functions. He receives the same salary as a district judge, but service in the office does not, as in that of district judge, qualify for a seat in the high court. The whole subject of judicial superintendence is one of extreme difficulty and importance and of very pressing urgency. To enter upon it would require a separate paper in much detail. We can hardly take the English system for our model; the French system of courts has much greater analogy to that prevailing in India. Without here going further into the subject, I will only say that my impression is, that the high court being relieved of a good deal of the duty which it can scarcely with sufficient dignity perform in subordination to the local government, the Government should for judicial affairs be assisted by a highly qualified officer whose emoluments and advantages should be such as to make his place to the full as desirable as that of a judge of the high court. If the other superior officers are to be called secretaries, he also might be called judicial secretary. I would also suggest for consideration whether the head of the judicial department might not occupy some such position in reference to the high court as the French *procureur general* holds in the Court of Cassation.

15. If there be a judicial secretary, we should have then three superior secretaries, for the general revenue and judicial departments. But as I suggest that one of these should be chief secretary, as the revenue and judicial departments may be quite as important as the general department, and as it would be desirable to avoid the changes which would occur if the best man had a claim to promotion from one secretaryship to the other, it might I think be a good arrangement that (as is the case, I believe, in Bombay) one of the secretaries should be chief secretary, irrespective of the department with which he is charged.

The extent and importance of the Bengal Government, and of the town and port of Calcutta are such that (the councils apart) three secretaries for Bengal would not be more in proportion than the two superior civil secretaries allowed in Madras and Bombay respectively.

16. On the whole question the essential point appears to be this, that instead of being advised by such bodies as a council or board of revenue, and assisted by irresponsible secretaries, the governor should be both advised and assisted by heads of departments, responsible for their departments individually and not collectively—men who by whatever name they may be called, would be in a higher and more acknowledged position than the present secretaries, and more actively executive in their functions than councillors; while they would also be in more rapid direct and efficient communication with the governor than are separate boards. I find among men of the most recent practical experience, a great unanimity of opinion that any change in the old Indian form of Government should be in this direction. I am told that in the Bombay and Madras Presidencies, the position of the chief and superior secretaries, and that of the members of council, is generally found to be in some sense incompatible. There is not full room for both sets of officers. If the councillors are strong and influential, the position of the secretaries is lowered to that of mere subordinates. If the councillors are weak, indifferent, or in opposition, and the secretaries are strong, the latter officers are everything, and the councillors add little or nothing to the working power of the Government. What then is wanted is some arrangement that may obviate this waste of power and combine in one set of officers the power and position of both. That may be done by giving to men of the rank and salary of councillors, the functions of the secretaries and boards united and concentrated, while they would be assisted by subordinate secretaries of rank and salaries inferior to the present chief secretary and secretaries.

17. There is not room either in Assam and the eastern frontier, or on the western frontiers of Bengal for a chief commissionership in the sense of a separate administration subject only to the Government of India, and I do not see

how those distant territories could be united under one chief commissioner. But by placing under the commissioner of Assam, Cachar, the Doars, and Cooch Behar, the charge would be made quite large enough for a commissioner under the Government of Bengal with large powers and a high salary; and by adding to the south-west frontier agency the Cuttack Tributary Mehals and the hilly parts of the border districts of Midnapore, Bancoorah and Bheerbhoom, that charge might also be enlarged.

18. If it be deemed desirable to diminish the area of the Bengal administration, the most fitting change would seem to be the transfer to the north-west provinces of Behar, a country totally different from Bengal in physical character, people, language, and institutions, and in all these respects very similar to the north-west provinces. Behar is also very much nearer to Allahabad, the present seat of the Government of the north-west provinces, than it is to Calcutta. And taking the two administrations as they now stand, since both the Delhi division and the Saugor and Nerbudda territories have been taken from the north-west provinces, I should have no doubt that the transfer of Behar would be a reasonable and desirable measure.

19. While I believe that much advantage would attend any arrangement which would admit of some interchange of officers, and ideas between the different civil administrations in India—that, for instance, it would be very desirable that the whole civil service should be one to the same extent that the whole Bengal service is one—I, on the other hand, think that, in regard to local services and local arrangements, far too little regard is paid to peculiarities of race and language. Much of the success of the administration of the North-West Provinces I take to be due to the circumstance that the officers of Government have but a single people, and a single language to deal with. In all the other administrations great evil results from the constant transfer of both executive and judicial officers from countries which they know, to countries of the language and people of which they are wholly ignorant. There is a very marked inferiority in the Lower Provinces in respect of familiar knowledge of the language of the people, and this I, in great degree, attribute to the common use of Hindostanee, fostered by the service of so many officers in Behar. We have seen in Orissa how much evil resulted from the transfer of an active officer from Behar to serve among a people whom he did not understand, and against whom he conceived a prejudice. As respects Orissa and Assam, I understand that the language of both those Provinces approaches much more nearly to Bengalee than to any other; and by judiciously localising officers as far as possible, the whole country from Pooree to Debragurh may probably be administered without very great difficulty in regard to language and other local peculiarities. It is in Behar only that there is an entire difference of language, manners, and ideas, and Bengal might probably be more efficiently administered if Behar were not attached to it.

20. The consideration which might most cause doubt as to the feasibility of such a transfer as I have suggested is, that Oude must almost inevitably be eventually united to the North-West Provinces, and the whole might then seem too large for one Government. The Meerut division, which is nearer to Lahore than to Allahabad, and many of the people of which are allied to the Punjabees, might, however, possibly be transferred to the Punjab, as was at one time proposed by Lord Canning, though there are no doubt some objections to that arrangement. On the whole, I should think that the union of the country from Agra to Patna in one great Government of “Hindustan,” would be the best arrangement—leaving to Bengal, Bengal Proper and the cognate Provinces.

21. By such re-arrangement as I have proposed I would make the superior administration of the Lower Provinces under the Governor somewhat as follows, including Behar in my calculation for the present:—

OFFICE :				Annual Salary.
				<i>Rs.</i>
1	Deputy Governor, or Chief Secretary	-	-	60,000
2	Superintendents of departments or Secretaries each	<i>Rs.</i> 48,000,	-	96,000
1	Commissioner of Behar	-	-	
1	" of Northern Bengal	-	-	
1	" of Eastern Bengal	-	-	
1	" of Western Bengal and Orissa	-	-	
1	" of Assam, and the Eastern Frontier	-	-	
1	" of the South-Western Frontier	-	-	
1	Superintendent of the Opium Revenue	-	-	36,000
TOTAL				4,38,000
To meet this expense there would be a saving of:—				
1	Secretary to Government	-	-	36,000
2	Members, Board of Revenue	-	-	96,000
1	Legal Remembrancer	-	-	30,000
8	Commissioners at 38,000	-	-	3,04,000
2	" at 33,000	-	-	66,000
2	Opium Superintendents about	-	-	78,000
<i>Rs.</i>				6,08,000

22. There would thus be on the higher appointments a net gain of 1,70,000 rupees, which would a good deal more than suffice to cover the cost of raising say 25 district officers from 23,000 rupees to 28,000 rupees; thus leaving any saving by reductions of the inferior districts to go towards the improvement of the subordinate establishments. So far there would be no financial loss whatever.

23. After all, the main reliance must be on an effective administration of districts. For reasons which I shall presently detail, the position of the magistrate and collector in Bengal is much inferior, in point of influence, knowledge, and executive power, to that of the same class of officers in any other part of India. The effect of the present arrangement in regard to the police, is to leave him without any executive establishment under his control, and to transfer all the semblance of power and dignity, and much real power, to the officers of police, not personally subordinate to him.

To give to the magistrate and collector his proper position, as combining in one hand all the executive authority of the Government, after the manner which succeeds with an Oriental people, it seems to be necessary that the separate existence of the police force should be put an end to, by making the superintendent of police an assistant to the magistrate, and the whole force subordinate to him; and that the system of sub-divisions, already partially introduced into Bengal, should be fully carried out by providing for each considerable portion of a district, an officer who may supply the place of the Tehseeldars of other parts of India, and an executive establishment.

In that case, many of the smaller districts might, I think, be merged, and the total number reduced. The reduction in the number of magistrates and collectors would not only directly make it easy to raise their position and emoluments, but would also cause much saving in respect to establishments. The cost of the district officers of police is especially disproportionate to the importance of their charge in small districts, and much would be gained by these reductions towards the cost of sub-divisions.

The magistrate of a large district would be put on a par with the Judge; there would no longer be promotion from one to the other; from that point at least, a civil servant would choose one department or the other, and having chosen, it might be expected that he would remain in charge of a district for a number of years.

24. Under such a re-arrangement, the executive district officer combining in his own hands all authority and information, would, according to my scheme, be subordinate to a Commissioner of high standing and position, who would himself be in immediate and constant personal communication with the Government.

25. The main feature which distinguishes the Bengal system from that of other parts of India is the excessive preponderance of the judicial and the comparative weakness of the executive power. Personal power and influence are, in fact, lost in the working of a great judicial machinery, while it cannot be said that our judicial system is so successful as to form an efficient substitute for the power by which orientals have been in all ages governed. Not only is it patent that the union of the offices has not rendered the magistrate and collector in Bengal sufficiently powerful and efficient in his executive capacity, but the question which I am discussing assumes a very greatly enlarged importance from the fact that in most, if not all, parts of India, the tendency of many recent changes has rather been in some degree to assimilate other provinces to the condition of Bengal; that is to say, to the condition in which the judicial becomes more important than the executive function. I have no hesitation in saying that I do not think that the more vigorous races of the Punjab could be safely governed as Bengal is now governed. If I am right in my belief, the subject is one which involves the whole success of our administration. The weaknesses of Bengal may be said to be those with which other provinces are threatened, and in those provinces political danger must attend administrative weakness.

The executive officers of districts have always, and in all parts of the country, to some extent combined in their own persons executive and judicial functions. As magistrates they are criminal judges of many considerable cases, and as collectors they are revenue judges. In this combined character they have been materially affected by recent changes of the law. There is, I think, much error in the apprehensions entertained by many officers regarding the working of the new codes. Vigour is by no means in all respect inconsistent with a regard for law; and the Indian codes are, for the most part, framed on modern and liberal principles, with little regard to the technicalities of a past age; but to those as yet imperfectly acquainted with the law it has terrors, and in India even the Government has been sometimes timid in matters of law to a degree seldom seen either in countries despotically governed, or in those in which the constituted authorities wield the powers delegated to them by free institutions. The laws and rules of procedure especially affect officers burdened with various duties. All rules which require judicial punctuality of time and place must interfere with the executive freedom of officers so situated. Moreover, as judicial facilities are provided, there is a constant tendency to increase of litigation, not least among those vigorous races who have hitherto freely indulged in contests of physical force, now suppressed by the strong arm of British rule. They are very prone to transfer their arena to the courts. The consequence of all this is, not only to exalt the courts, but also that wherever executive and judicial functions are united in the same officers, the latter duties are increasing and clashing with the former. Complaints become more and more frequent on the part of supervising officers in either department. The superior executive officers are met by the declaration that judicial functions render impossible the personal activity and attention which they desire, while judicial duties are too often neglected or slurred over on the plea of executive functions. In fact, both suffer in an excessive degree. The time, then, seems to have come when, not only as a Bengal question, but as one affecting several Indian administrations, it is absolutely necessary to consider whether the two functions may not be re-distributed in a manner which will conduce to the efficiency of both.

26. The machinery at the disposal of the district officers in Bengal proved, during the famine to be deficient as regards both the means of obtaining information, and the power of dealing with the people. To some degree the weakness had been long felt, and there was a desire to assimilate, as far as might be, the Bengal system to that of the other provinces of British India. The result was the union, a few years ago, of the offices of magistrate and collector, previously separate—a measure by which it was hoped to unite the executive power of each district in one strong hand. This change, however, has been attended with very indifferent success, and at this moment the balance of opinion among the local officers is probably in favour of a separation of the offices so united.

27. Nothing could have been more unreasonable than the arrangement of offices and salaries in Bengal which preceded that now adopted. The offices of magistrate and collector were separate, and the salaries were in the inverse proportion in the importance of the duties. The magistrate was the representative of
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the executive power, and governed the country with the aid of a numerous police force subject to his absolute control ; but the magistrates received comparatively small salaries. The salary was 900 rupees per mensem, and very many, it may perhaps almost be said most, of the actual incumbents were acting officers receiving smaller salaries, and were generally very young men emerging for the first time into an independent charge. Whenever promotion was rapid, they well deserved the name of " Boy Magistrates " popularly bestowed on them. In such young and inexperienced hands the Administration could not have weight.

On the other hand, the office of the Bengal collector was then the cushion of the incapable. Under the permanent settlement, and the system by which it was worked, the collector was more a tax gatherer than an administrator. He had and has no discretion in regard to collections, but simply sells according to fixed rules if the money does not come in. He looked after the details of the Treasury, and performed other duties of a routine and mechanical character. His judicial duties in respect of suits for rent were of a summary and unimportant description. All the serious litigation regarding the land was in the civil courts, yet the collector received more than double the salary of the magistrate, the real representative of the governing power.

The effect of the union of the offices was to give the higher salary to the officer in charge of the district, and to make the combined office one of higher standing and position in the service. But in truth the magistrate, in becoming also collector, gained little of the power and influence which attaches to the latter office in other provinces ; and two important changes, which occurred about the same time, have very materially altered his position in both capacities, and have greatly enlarged his judicial functions, and diminished his executive power.

28. Under the old system the police appointed by, and wholly subordinate to the magistrate, were something more than mere thief-takers. They were the executive establishment of the district ; and, in the absence of the revenue establishments at the disposal of the magistrate and collector of other parts of India, the Bengal police were employed by the magistrate in many ways. Without efficient superintendence, and among a people little capable of holding their own against oppression, there were no doubt many serious abuses which the new police system was designed to remedy. As that system was arranged, the first effect was wholly to deprive the magistrate of his executive establishments, and to put in their place a body neither appointed nor promoted by him, and in no way personally subordinate to him, though, as a body, subject to him for the performance of certain police duties strictly defined by law. The magistrate thenceforward occupied a very different position. His principal function is to try, judicially, cases sent up by the police, after the manner of a Bow-street magistrate ; and even when he derives efficient assistance from the officers of police, he has not the same confidence in men whom he knows little personally that he would have had in his own establishment. There could be no more favourable instance of the new system than in the Pooree district, when the police was under Mr. Lacey, working in hearty co-operation with Mr. Barlow. Yet we find Mr. Barlow repeatedly saying : " The accounts received from the police are bad *if you believe them* ; " and throughout the early part of the famine the great cause of his reticence seems to have been a lingering doubt about the facts which he had not seen with his own eyes. The executive power of the district is now, in a great degree, the superintendent of police, not the magistrate.

29. The judicial functions of the collector have been wholly altered, and greatly raised in importance. The collectors and deputy collectors no longer exercise a mere summary jurisdiction. They are now, in fact, civil courts for the regular trial of the great majority of cases connected with the land. Almost the whole of the questions affecting the relative rights of superior and inferior holders, to which recent events have given such importance, are tried by them.

30. While thus the executive power and means of the magistrate and collector have been diminished, and his judicial functions have been increased, there has also been a tendency to cast on him many petty duties, for the performance of which he has no adequate machinery. As collector, new systems of settlement

and excise, new taxation of incomes and trades, and other changes, have imposed on him much detail; and as magistrate, he is now a kind of servant of all work, on whom is thrown everything too petty or too troublesome for any other department.

The original scheme of Indian administration was to throw all functions on one man, who also had all power, and was assisted by large establishments. Subsequently, special departments were created, by which this district functionary was relieved of many things which overtaxed him; for instance, the departments of public works, of education, of the post-office, lightened his labours. But of late years it seems as if the special departments had outgrown their powers and their position, and instead of being aids to the district officer, there is a kind of reaction under which he is expected to aid them. Instead of being, as of old, the dignified administrator under whom all work, he is as I have said, the servant of all work, on whom anything may be thrown. The special departments are administered by officers in immediate communication with the head of the Government, and at their instance, petty repairs and petty works of the public works department, the laying of relays for travellers of the post-office department, and many other such matters, are thrown off upon the unfortunate magistrate. He has also under his control the expenditure of the local funds, and there is no more perplexing question, or one at present in a more unsatisfactory state, than the management of local works—roads, bridges, and other works too petty to employ professional European officers, but which in the aggregate are of great importance, and involve the expenditure of large sums of money, much of which is too frequently wasted. In provinces where the magistrate and collector has large revenue establishments, his various duties may in some sort be performed; but in Bengal, where he has no establishment whatever, it is simply impossible that he should perform them with any semblance of efficiency. He has a constant show of petty business ever occupying him, and no means of doing it. The very important judicial functions which he ought to perform are too frequently neglected, with very unsatisfactory results in the executive department.

31. To all this it may be added, that the mutiny and other causes have rendered promotion in the civil service abnormally rapid during the last ten years; there has been little room for selection, and the new magistrates and collectors have not been generally men of the standing and experience which was probably expected by the framers of the reformed scheme. Still less have they remained in their appointments long enough to acquire sufficient local knowledge. The frequent changes of late years are an evil of the very greatest magnitude. It may be said that the tenure of office has been most frequently measured by months or weeks rather than by years.

32. In former days the executive functionaries of the British Government in some degree conformed to Oriental manners. They appeared with something of eastern pomp and show. Now the other extreme of excessive simplicity and absence of show is universal. There is probably no country in the world in which high functionaries are so entirely without external symbols as in Bengal. I think that economy in reducing personal establishments has been carried somewhat too far. And now that the police have ceased to be the followers of the magistrate, there is scarcely the means of affording any personal attendance whatever to the higher officers when they go about their districts on official duty. The whole of the appearance and symbols of power are, as has been said, transferred to the officers of police; and the magistrates, who among an alien people maintain no unnecessary private establishments, appear abroad as plain, unpretending men, who go to their offices like clerks. These much-burthened, constantly changing officers, always liable to prosecution and personal liability, have little real power over the fortunes of rich and influential men, and the substance does not supply that influence which is not gained by any appeal to the imagination.

33. Partly to the want of influence in the representatives of the Government, partly to the progress of education and self-assertion, and partly to the habits and character of the people, must be ascribed the want of easy and familiar intercourse between the European officers and the higher classes of natives, which is a marked feature in the Lower Provinces, and a thing very especially

to be lamented. On the Affghan frontier, freedom of intercourse is almost carried to excess; in the Punjab it is most satisfactory, and I think just what it ought to be; in the North-West Provinces it was (I am not sure that it always now is) very considerable; in many districts of Bengal it seems to me to be reduced to a minimum. I could much wish that more influential district officers, of a somewhat higher position, could exercise more social as well as more official authority. That with progress and civilization our intercourse with, and influence over, the people should diminish, must be a matter of much regret, and give rise to many reflections. The fact seems to be, that in Bengal the higher classes have learned too much to be willing to associate with their rulers on the old footing of inferiority, and not enough to induce real social intercourse on a footing of equality.

34. It may seem invidious that I should say more against the new police system than point out the ill effect of a division of authority, seeing how well the police officers in several districts acquitted themselves on the occasion of the famine; but the question of the relation of the police to the magistrates is one of so vital an importance, and so much affects the whole character of the administration, that I feel bound to mention my belief that our history of the famine exhibits the police system in a light somewhat more favourable than might be obtained from taking again an equal number of districts. I am inclined to think that there are at least as many districts of which, in this respect, Cuttack may be taken as the type, as of those which are officered as were Pooree and Balasore. The impression is very general that the appointments in the Bengal police were somewhat hastily filled. It is certain that many of the European officers have no sufficient acquaintance with the language of the people among whom they are employed; some, I believe, have no acquaintance with it whatever. I was a member of the Board of Examiners (although I took no active part in the proceedings) when that body represented to the Lieutenant-Governor the failure of the officers of police to pass the prescribed tests; and although instructions were then issued requiring the junior officers to qualify in future, I desire to take this opportunity of stating that, in my opinion, the Government of Bengal adopted a course very much to be regretted, when at the same time, on the mere recommendation of Lieutenant-Colonel Pughe, Inspector-General of Police, it exempted from examination a large number of the least qualified officers, and permitted them to be placed in the highest posts without the necessary qualifications. My impression is that the officer in charge of the Cuttack Police at the commencement of the famine was one of those exempted officers (although I cannot speak exactly on this last point), and he vowed himself wholly ignorant of the language of the people of his district. I admit the difficulty of suddenly organizing a service of officers really competent for such duties, but I think that the difficulty is an argument against the system of rendering the police in any sense independent of the magistrate.

35. I have said that the judicial system is far from being so perfect as to compensate for the deficiencies of the executive machinery. Of all judicial evils the greatest is that almost incredulous anomaly the arrangement under which, in the department of civil justice, a man after long service in other departments is eventually made a civil judge, and, as such, the chief and sole judge of appeal over a large class of inferior tribunals, without having ever tried a civil case, or having had any opportunity whatever of acquiring any knowledge of civil law. Just when he is becoming efficient and experienced as a magistrate and collector, he is promoted to be an extremely bad judge.

The problem which it is now desired to solve is, how the position and influence of the Executive officers may best be raised, and if, by a re-arrangement of offices, something may be done to remedy judicial defects also, there will be great additional gain.

36. A strong feeling is entertained by the officers best qualified to judge, that under the peculiar circumstances of Bengal, the recent imposition on the collectors and deputy collectors of important judicial functions hitherto pertaining to the civil courts is a mistake. The object of the arrangement is obvious in provinces where the collector is the great administrator of landed affairs, the registrar of landed rights, and possessed of a special knowledge of all matters connected with the land. But in Bengal, where he has no such functions, no such special

knowledge, and (most important of all) none of the means of reference to official records which elsewhere so facilitate the settlement of disputes, it is said that the transfer of judicial functions is only to take cases from courts possessed of some qualifications, and accustomed to deal with them, in order to make them over to new and untried courts hastily extemporised. The collector can be little more than a court of appeal from the deputy collectors, and the deputy collectors appointed without tests or checks, are decidedly inferior to the Moonsiffs of the regular courts.

37. I would not recommend any complete separation of the executive and judicial services. In every department of the civil service a certain knowledge of law must always be useful, and indeed necessary; and strangers as we are to the country, an officer will seldom be efficient in either department without some experience of the other. A man is not always in early youth a sure judge of his proclivities and capacities, and a far better selection may generally be made after a few years' practical experience. I cannot, however, but think that the re-arrangement which I have proposed in regard to the offices of magistrate and collector and of judge, would be a very simple and obvious reform, which may with great ease be made in both divisions of the Bengal Presidency, and against which I can imagine no single argument whatever. All that is required, is to make the two offices of about equal salary, or so nearly equal, that, all things considered, the advantages would be about equal; so that at this point at least, a man must choose one department or the other, instead of almost necessarily in the course of promotion, filling first one of these offices, and then the other. This would at once very greatly increase the permanency of the tenure of either office and give room for the acquisition of local knowledge and influence in one department, and of law in the other. The advantage seems so evident that I am wholly at a loss to account for the long continuance of the Bengal system. I beg very strongly to recommend its alteration to that of the working of which there is already ample experience in the other Presidencies. Already in the Small Cause Courts, a beginning has been made towards giving opportunities of judicial experience to those of the younger civilians who show judicial aptitudes. I trust that much more will be done in that direction, and that any time after two or three years' service it may be possible to make choice of one or other department. At any rate, it will be a very great thing that a man should enter on the higher judicial functions in the full vigour of his powers, and when he has still before him a long career of service, rather than that he should attain such a position without any previous experience towards the close of his career, as has been too often the case. The abnormal promotion of late years, while it has rendered the magistrate and collectors too young and inexperienced, and far too little permanent, has had the advantage of bringing men on the bench at a younger age than formerly; but still the number of men legally qualified for the High Court by three years' service as a judge has been marvellously small; and as promotion becomes more normal, the magistrates and collectors more ripe, judges must, under the present system, again become old. All this might, I think, be remedied by the suggested change. Not less would be the advantage of a prolonged tenure of the office of magistrate and collector. We might then hope to have men of the ripe experience, and of something of the personal influence of former days. Under such a magistrate the superintendent of police and the whole police force might very well be placed as I have already proposed.

38. Some general system of sub-dividing districts or placing officers at various points in the interior, is absolutely necessary to any real executive efficiency, not less than to an efficient administration of the criminal law; and that being assumed, I have already suggested that the number of executive districts may be somewhat diminished; I would take the larger districts as the standard, and would reduce those which are smaller. One cause of the junior standing, and frequent changes of the magistrate and collectors is, that when the offices were united, a good many inferior districts which had been heretofore considered a sort of sub-districts under officers of an inferior grade, were recognized as regular districts, while for these districts but an inferior salary was provided, and the superior second in command, called a joint magistrate in the larger districts, was not allowed. These, and perhaps some other of the minor districts might be absorbed, their head-quarters being the stations of the higher sub-divisional officers.

officers. Such arrangements being made, and the sub-divisions being efficiently officered, the magistrate and collector might be relieved of most of the judicial duty which at present he really seldom performs, and he would then be held more responsible for executive duties, and for those of supervision. He would still have the powers of a magistrate to use when occasion may require, and I would still leave entirely in his hands the distribution of magisterial duty among his subordinates, but he would not be ordinarily required to do regular judicial work. It would rather be his function to see that the work is placed in fitting hands, and that it is not neglected. To a magistrate and collector so situated I would allow a liberal executive establishment, and all that may be necessary to his dignity as the representative of Government.

39. Under such an arrangement there might be required for Bengal, Behar, and Orissa, about 25 magistrates and collectors, and 25 judges. The former would look for promotion to the six or seven superior commissionerships and secretaryships which would be substituted for the Board of Revenue, and the present commissioners; the latter to the six or seven civilian judgeships of the High Court. From a certain point the civil service would thus be divided into two nearly equal parts of about equal numbers, emoluments, and prospects. In every grade the tenure of office might be expected to be very greatly prolonged.

40. The establishment of an efficient sub-divisional system in Bengal involves questions of considerable difficulty. Much stress has been laid in the course of our inquiries on the absence of any such machinery as that supplied by the Tehseeldars and Tehseeldaree establishments in all other parts of India. In those comparatively few districts of Bengal in which the sub-divisional system has been fully established, where there are five or six sub-divisions in a district, the sub-divisions may be said in a great degree to correspond to Tehseels. The functions, too, of the sub-divisional officer and of the Tehseeldar are ostensibly to a great extent the same. Yet there is still a great difference in, as it were, the spirit of the two systems, due to their widely-different origin. The two classes of functionaries have, as it were, met at a common point coming from opposite directions. The Tehseeldar was originally a purely executive officer. The name being translated is simply "Collector." The primary duty was the collection of the revenue, but in the case of the native as of the European collector, that function is but a small part of his whole duty. He is, in countries where the Government deals directly and fully with the landed interests, the administrator of his sub-district just as is the collector in his larger sphere. Gradually the Tehseeldar has been invested with many judicial functions; he has powers for the decision of many cases connected with the land; and he is now almost always a subordinate magistrate, and actively employed in local magisterial duties. He, therefore, so far, differs very little from a deputy magistrate and collector. But there is this very essential difference between the Tehseeldar and the sub-divisional officer of Bengal, that the former is almost always a native officer of great experience, and much local knowledge and influence; he has risen through all grades to, as it were, the top of his profession. The sub-divisional officer, on the other hand, is generally a young man near the bottom of his profession. He is on the first rounds of the ladder which he hopes to climb. His position and his qualifications are much more judicial than executive. He seldom remains long enough to acquire great local knowledge or influence. The Tehseeldar has under him a large establishment nominally for the collection of the revenue, and the record of rights in the land, but really available for all executive duties. He has a well-paid deputy, who probably hopes some day to succeed him, several inferior officers, and a considerable, if not large, staff of jemadars and peons, men available for any duty. Then he has the Canoongoes, the local registrars of all rights in the land, and under them the Putwarees, or village accountants, who are now in fact public officers bound to record all changes in the possession of the land, the rights and liabilities of every cultivator, and the payments of all classes, and who furnish for public record annual papers in much statistical detail. The functions of the Tehseeldar bring him much into contact with all classes, and in fact give him much power. A good officer of the class is felt in every corner of his district, and he commands much information scarcely accessible to European officers. He may be said to be the link between the European and native systems of administration. He has been in many things brought up to a European standard, and in many respects he

retains the character and the peculiar influence of a native administrator. The sub-divisional officer has no establishments beyond those of a properly judicial character.

It is certain that there is not room for two sets of officers, for sub-divisional officers, and Tehseeldars at the same time. We must rather try to combine the advantages of the two systems, to obtain if it be possible the education and superior and judicial qualifications of the sub-divisional officer, together with the local knowledge and influence, and executive power of the Tehseeldars; or if these cannot be wholly united, then let us unite as much as we can of the advantages of either system.

41. In Bengal the present phase of education seems (though it may create surprise to say so) to be the cause of much difficulty. In Upper India there is a considerable indigenous education of a character which is at least sufficient to turn out men ready with the pen, and very shrewd men of business, in numbers fully equal to, or exceeding, the demand. A selection can, or could, always be made, and very capable young men are always ready to enter the lower grades. Such men will think themselves fortunate if, after 20 years of good service, they attain the rank and position of a Tehseeldar. In Bengal the native education has now been almost entirely discarded, and English knowledge is indispensable to all considerable offices. The spread of this education has been so great that it might have been hoped that it would have met all requirements. But in practice it does not yet seem to be so. Native youths educated up to the required standard are not yet willing to enter the public service in those subordinate situations in which the youth of all other countries commence an official career. They expect to be put on the bench at once as magistrates, or to obtain similar dignified employments; and a large proportion of the deputy magistrates, and deputy collectors recently appointed are, I believe, young native graduates, who have had no practical experience, and who commence with no knowledge of the affairs of the people. Young men of this kind, though educated to a high standard in the modern colleges, and possessed of many qualifications, necessarily want some native qualifications on the one hand, while they have not an energy equal to that of Europeans on the other. At present the best sub-divisional officers are, I believe, undoubtedly the junior members of the covenanted service. They are, however, of a character essentially different from the old Tehseeldars.

In other departments also there is evidence that the demand for educated native talent does in fact still exceed the supply. I gather that it has not been found possible to keep up a sufficient supply of native sub-assistant surgeons. At the Bar there are not the struggles for life which we see in Europe. Still we must hope that the spread of education still continuing, it will at last supply all that is required. And, meantime, I should think that, for official purposes, it would be better not to require so high an educational standard as to deprive ourselves of candidates for inferior situations. I cannot think it a good thing that young natives should commence work in the higher grades of the service. If those who have taken the highest university degrees will not compete for inferior appointments, these might be opened to a younger and less highly educated, but still acute and intelligent class, possessed of a good knowledge of the English language, on the understanding that good service in the lower grades will lead to promotion to those of higher degree.

42. I would give the sub-divisional officers considerable establishments available for executive work, for statistical inquiries, for the construction of local roads and bridges, for surveys and partitions, for all the work performed by the subordinates of Tehseeldar. I would have it that the sub-divisional officers themselves should be as now partly covenanted civil servants, and partly native officers. The former would chiefly be stationed in sub-divisions where European colonists or European commerce are found, or where special energy is required, and they would be assisted by selected native officers. The native deputy magistrates and collectors I would not appoint without previous training. I would rather try to establish a sort of native civil service, into the lower grades of which young men should enter by competition, and of which the higher grades would be filled by men of ripe experience and knowledge. To carry out effectively a system of this kind, it would be necessary that, for entrance both into the European Civil Service, and into the native service in India, a little civil engineering, surveying, and such

such like practical knowledge should be included among the subjects of examination.

43. In places where there is a large amount of criminal business, a magistrate's court should no doubt sit in permanence, and the officer presiding must be relieved for the most part of other duties. But in ordinary rural sub-divisions, I think that the judicial functions of a magistrate should remain in the hands of the executive officers, the police also being made more distinctly subordinate to them. A well-arranged sub-division will always be such that an active officer can reach any part of it in a morning's ride, and by a little arrangement executive duties may be performed in such a way as not materially to interfere with magisterial functions. I believe, however, that the opinion is correct that under the present circumstances of Bengal, the proper judicial duties now performed by deputy collectors and collectors may with advantage be transferred to the regular judicial tribunals, which are by judicial knowledge better qualified to deal with them. In other provinces the present system is by far the best, but not in Bengal. By this transfer the sub-divisional officers and the magistrate and collector would be greatly relieved, and rendered much more available for executive and criminal work. The Small Cause Courts have taken away much of the jurisdiction of the local courts of the Moonsiffs, and in some places have left to these latter little but land cases. Probably the Moonsiffs are now in a position to receive a good deal of additional business without a large addition to their number.

44. Any attempt to settle and record at once all the rights in the land in Bengal, would be at present attended with very many difficulties. Eventually, I do not doubt that this must be done, but there is at present an extreme want of any adequate machinery, and many questions would be raised, which it may be hoped that time will settle. There is, however, a crying necessity for some such system of registration in agrarian affairs as shall suffice to establish the authenticity of the documents of every-day use, the fact of payment, and the genuineness of receipts. It is a curious fact that in some districts a large proportion of the rent suits are brought to enforce an undisputed demand, not because the tenant cannot or will not pay, but because he relies on no receipt or evidence of payment but that of the Court, and is willing to bear the expense of a suit for the mere security of paying through the Court. It may be doubted whether the ordinary machinery of registration, as now arranged, will reach petty agrarian transactions. A tenant can hardly force his landlord to go through the process of a formal registration, at the regular Registration Office, of every payment made on account of rent, and already it has been found necessary to exempt short leases from the registration laws. My own opinion is that, a variety of rights in the land being already recognised in Bengal (perhaps to a greater extent than in any other part of India) official accountants of the character of Canoongoes and Putwarees should be re-established, and that by them all petty leases, all payments, and all other agrarian transactions short of sale and mortgage, should be recorded and attested. The same machinery might be used for the collection of the statistics which are so greatly wanted. I cannot but think that the expense of such officers might fairly be made a charge on the land. Probably a system might be devised for uniting the agrarian registration with the general registration of assurances throughout the country; both being placed under the executive officers. In Orissa it seems to me that the settlement under Regulation VII. of 1832, should certainly be worked out in the legitimate manner by the machinery designed for it, whatever is done in other parts of the country. The Canoongoes already existing should be used, and the Putwarees should be restored, and employed to work out from year to year the record of rights and of collections, in such a way as to secure the fullest information when the time comes for another settlement, besides keeping the officers of Government informed of those things of which they were so ignorant in 1865-66.

45. In all parts of the country the ancient duties of landholders in connection with the police, and with many other matters, should be enforced. At present they are practically relieved from all responsibility, and render nothing in return for the benefits conferred on them.

46. The changes which I have proposed in the district machinery of Bengal

simply amount to this, that in my opinion the permanently settled provinces must be provided with establishments similar to those which have always been found necessary in provinces not permanently settled. It must, I think, be recognised that the mere fact that the land revenue is permanently fixed instead of being liable to periodical revision, does not diminish our duty towards the people, or the necessity for an efficient system of administration. Whatever may have been imagined when the revenue was fixed as to the relief of Government from the details of administration, still, no sufficient provision having been made, the duty must be undertaken by the Government, and the cost must be defrayed from some public source. The expense of a complete system of subdivisions in Bengal need not be greater than that of the establishments maintained in other parts of India, except in so far as a higher standard of education and qualification render more expensive all modern arrangements. The establishments have already, in various departments, and for various duties, been so much increased that great part of the expense has been already incurred.

From a statement showing the number of officers of various grades now employed in the Lower Provinces, I calculate that, supposing the number of districts to be in future equal to the present number of judicial districts, the present establishments would supply for each district about six subordinate native judges, one first-class covenanted assistant or joint magistrate, three or four covenanted assistants, about six deputy magistrates, one executive officer and one native divisions to be established in each district, and a proportion of officers for head-quarters judge to be allowed to each, with a proportionate increase to the number of officers and for special work, I think that a moderate increase might be incurred for the would suffice. A considerable expense would necessarily be incurred for the subordinate executive establishments, but still the amount would not be overwhelming.

If that localisation of the finances of India, to which I have always required the only remedy for many difficulties, should be carried into practice, the funds might be provided by some taxation local to Bengal.

47. I have said that the practice of appointing to deputy magistracies and other similar offices young native graduates without practical experience, is not altogether satisfactory; but a good many uncovenanted appointments are filled in a way which I think much less satisfactory, viz., by the nomination of gentlemen who have been subjected to no educational tests whatever. In Bengal, these nominations are generally made from two classes, either deserving head clerks are promoted, or European gentlemen are nominated, sons of officers and others who have been unable to procure appointments for them in England, or gentlemen who have come to India in some other profession, and have so little succeeded that they are glad to accept such Government appointments.

In provinces where the Tehseeldaree system prevails, the Tehseeldars are almost always natives, and the relation between European superiors and native subordinates being such as generally to exclude any temptations to the exercise of patronage, the promotion of native officers who have shown practical capacity and administrative merit is a good system with which I would not interfere by interposing too rigid educational tests. But the promotion of men who have spent their lives as clerks does not generally work well, and I would draw attention to the mode of nominating European gentlemen to uncovenanted appointments. I admit that instances might be pointed out within my own experience, and that of others, in which the Government has obtained the services of gentlemen of very special qualifications, and much practical ability, who could not have passed educational tests, and who have yet rendered invaluable service. But no system can be perfect, and I am inclined to think that there are many instances in which these appointments are made to a great degree as matters of patronage. It seems as if patronage driven from the Indian service, so far as nominations in England are concerned, might still find a resting place in India in the growth of the uncovenanted service. An officer of position and interest in India, whose son is unable to obtain admittance into any of the Indian services by competition, may yet obtain for him an appointment in India. It is true that after his appointment he is required within certain periods to pass certain departmental tests, but it is a very different thing to turn a man out when once appointed from not appointing him, and the prescribed periods are very elastic. It is at this moment the fact that a very young man appointed a probationary

probationary deputy collector, without being subjected to any test whatever exercises judicial powers superior to those of a covenanted assistant, who has gained his appointment by passing the highest competitive tests after the highest education in England. The Government of India has now instituted a whole-some system of tests for young military officers seeking civil employ, but as respects the ordinary uncovenanted appointments, I believe that the matter is still left to be regulated by each local administration. I would strongly recommend that some general system of educational tests for European candidates to be applied prior to appointment (probationary or otherwise) should be prescribed by the Government of India, and that no such candidate should be appointed for the first time without passing the test, except as a special case, when the local government making the nomination has first, on special grounds, obtained the sanction of the Government of India. The advantages and importance of the uncovenanted service are daily increasing, and to leave in it too much scope for patronage, would be an evil of great magnitude. Educational and linguistic tests are much required before appointment of European gentlemen to the higher grades of the police.

48. The non-regulation districts of the eastern and western frontiers of Bengal are managed on a different system from those of the regulation provinces, the same officers combining executive with all judicial powers, and their charges being smaller (in point of population and revenue) and less highly paid. My proposals would not apply to these districts without a radical change of system, and to take up that question would involve the whole non-regulation system, as existing in much larger and more important provinces. Any recommendations on that subject, would, I think, be more appropriately submitted after I have had further opportunity in the administration of the Central Provinces, of observing all that has recently been done, and maturing my opinions. I shall therefore not at present touch farther on the non-regulation portion of the Bengal administration.

49. Before concluding this branch of the subject, I must make one more suggestion on a very wide subject, which I approach with some difficulty. Frequent allusion has been made in our reports to the weakness and timidity caused by the fear of prosecution for their acts, which seems to be constantly before the eyes of the executive officers. I think that to give sufficient nerve and energy to the administration, the officers of Government, and the Government itself, must be, more than they now are, protected against private prosecution. It is not so much the actual frequency of such prosecutions as the constant sense of liability to them, that seems to oppress public servants; men of little private fortune, and who have no private interest in stretching their authority. Even, in free England, actions against the Crown are not to this day avowedly free, although, in practice, the consent of the attorney-general may be seldom withheld. And in India the Government necessarily is, and long must be, essentially despotic; our system must be adapted to despotic, and not to free models. In no country are the motives of public officers generally more pure, and in no country is there a more free and accessible appeal both to official superiors and to public opinion, against every abuse, or alleged abuse, of authority. It may be and is desirable that in certain cases official acts should be subjected to regular judicial inquiry, but it is not, I think, desirable that every aggrieved or discontented person should have it in his power to harass the official at his private discretion.

50. I would recommend then that all actions against the Government for its own acts, or those of its officers, should be confined to a special court, a sort of Court of Exchequer, where aggrieved parties should proceed by petition of right, and in which such actions should proceed only on a certificate of the head of the judicial department of the Government, that a *prima facie* reasonable case had been shown; I would also permit actions to be brought against any individual officer, for acts done in his official capacity, in certain local superior courts, on the production of a similar certificate, and in that case only.

George Campbell.

REPORT of the SPECIAL COMMITTEE.

Sir,

14 November 1867.

WE have carefully considered the papers which you have laid before us, and have applied ourselves to the solution of the questions suggested in your instructions.

2. On approaching the subject, it appeared that the reorganisation of the Government of Bengal depended, in many of its principal conditions, on the determination of the important question of whether Calcutta was to continue to be the capital of India. To that question we, therefore, in the first instance, directed our attention.

3. It may be admitted that objections of considerable weight can be urged against Calcutta as the site of a capital. Its position on the eastern side of India,—its climate, which, during a large portion of the year, is enervating both to Europeans and to natives of Upper India,—its distance from the hill stations, which afford that healthy change which English constitutions require, are obvious disadvantages. They have formed the subject of frequent discussion, and other sites have been suggested and considered; but none has yet been recommended by any general concurrence of those who may be regarded as entitled to speak with authority.

4. But against the disadvantages thus arrayed in opposition to Calcutta, it may be decisively urged that that city is the metropolis of India, and has become so by the force of circumstances alone. It has not achieved this position through any prevision of statesmen, and it cannot be deprived of it by any process of legislation. Its situation, as the port of the valley of the Ganges, the most fertile tract in all Asia, its proximity to the wealthy marts of the Straits, and of China and Japan, are advantages which, so long as India is governed by a maritime and commercial people, cannot be exaggerated. On the other hand, its defects are gradually disappearing. The conjoint action of steam, the railroad, and the telegraph have rendered the fact of its distance from Europe unimportant. The objections urged against its climate are yielding to the influence of well-devised sanitary arrangements. Facility of access to Simla and Darjeeling has already been increased, and Calcutta must always retain facility of access to the sea, the air of which is far more efficacious for the cure of all serious disease than the climate of the most salubrious stations in the hills.

5. We are, therefore, of opinion, after mature consideration, that Calcutta should continue to be the capital of India, and our views are, perhaps, entitled to the more weight from the fact that the prepossessions of the majority of us would point to other localities. But while we thus state our opinion in favour of Calcutta, we are also compelled to confess our conviction that the periodical transfer of the seat of Government to Simla, which has been introduced during the last four years, is injurious to the public interests.

6. In deprecating these annual changes of the seat of Government, we feel that we are expressing an opinion which will be regarded with no favour by the members of the Supreme Council, and one that is in complete opposition to the views of the Governor General. We are also very willing to admit that some advantage indirectly occurs to the public service from the increased health, vigour, and ability to labour, which are stated to be afforded to members of the Government by the removal to Simla during the hot weather and the monsoon.

7. But while we are not insensible to those considerations, we cannot resist the far more powerful arguments which the opposite view presents. We regard it as of extreme importance that the capital of India should be at a fixed locality, that the deliberations of the Viceroy in Council should be aided by the advantage of recourse to all the records of former Governments, and to all the official ability, legal and administrative, congregated in so great a centre as Calcutta; and that, in addition to these advantages, there should be present a large and independent non-official community, able to correct the views and enlarge the experience of members of the public service living in a limited and exclusive circle.

8. It must not pass unnoticed, that the salaries of the members of Government have been regulated with due consideration of the hospitalities imposed on them by a residence in a metropolis. It appears to us, that if the seat of Government were fixed at a remote hill station during the greater part of the year, and its members

members merely occupied temporary habitations in Calcutta, it would be a proper question for deliberation whether large reductions in salaries ought not to be made.

9. There are many other arguments to be advanced in deprecation of the annual resort to Simla, a practice, it should be remembered, of very recent growth, but we will restrict ourselves to two. First, although the heads of the Government remove to the Himalayan range, the greater part of the business of Government, in fact all the real work of the administration, must be transacted in the plains. A feeling of discontent is thus produced in the public service, upon which the labour of administration devolves, or, what is worse, every officer who possibly can obtain permission leaves his station, and follows his superiors to the hills.

10. The second objection to which we have adverted is of even greater force, namely, that however congenial the climate of the hills may be to European constitutions, it is hateful to the large number of Native officials, who must accompany the Government whenever it changes its station. It should also be remembered that Simla is practically inaccessible to the great mass of the people, who are thus cut off from all personal communication with the Supreme Government of the country.

11. We would, therefore, strongly recommend that the practice which has lately arisen, of moving the seat of Government to Simla during the hot weather and the rains, be strictly prohibited.

12. But by this recommendation we would not wish to interfere with the liberty of the Governor General himself to proceed to any part of India, should he consider that the public interests demand such a measure; and although we must admit there are evils in permitting the Viceroy to exercise the full authority of Government in the absence of his Council, we are satisfied, after careful consideration, that greater and more permanent evil arises from the movement of the whole governing body.

13. Having satisfied ourselves on this question, we arrived at the conclusion, though not unanimously (Sir B. Frere and Mr. Arbuthnot being of a different opinion), that the administration of Bengal should remain as at present under a Lieutenant Governor without a Council. We (with the exception of our colleagues above named) are satisfied that the existence of a separate Government of Bengal, with an Executive and Legislative Council on the system of Madras and Bombay, is incompatible with the presence of the Supreme Government in Calcutta.

14. Having disposed of this subject, we applied ourselves to the questions raised with respect to the improvement of the Government of Bengal. To this end two great objects should be kept in view: first, the strengthening of the Executive Government; secondly, the creation of some official link between the Government and its subjects, by which the condition and wants of the general population might be brought more quickly, frequently, and minutely to the knowledge of the authorities.

15. With regard to the first object, we think it is to be attained, in addition to some administrative alterations which we will hereafter suggest, mainly by limiting the sphere and scope of the duties now entrusted to the Lieutenant Governor of Bengal, which are much more laborious than those devolving on any other Lieutenant Governor.

16. By far the most difficult and irksome of the duties imposed on the Lieutenant Governor are those connected with the European commercial and planting interests, and their representatives in Calcutta. The members of this class, by their demands on the Legislature, by their social influence, by their organs in the press, and their interests in England, manifestly require the strongest government which India can supply.

17. We would suggest that Calcutta (by which we mean the port, the shipping, the municipality, the Mint, the Treasury, the Customs, and such other parts of the administration as are of an Imperial rather than a local character) should be placed entirely under the Governor General in Council. If it should be objected that this proposal will throw too much administrative charge on the Governor General, it would be easy to relieve him by devolving the duties on a member of his Council, or even by appointing an additional member.

18. We also think that one legislative body sitting in Calcutta is sufficient, and that the Legislative Council of the Lieutenant Governor should be abolished, giving to the Lieutenant Governor himself such legislative powers for executive

purposes as are possessed by other Lieutenant Governors, and constituting him, as at present, an additional member of the Viceroy's Council when assembled to make laws and regulations.

19. We may observe that the system now in force in Calcutta, of two legislative bodies sitting in the same places and having jurisdiction over the same class of subjects, has never, to our knowledge, been witnessed elsewhere; and Lord Canning's anticipation, that the labours of the superior body, the Governor General's Council, would be very light, have in no degree been verified by the event.

20. When the administration of Calcutta and the supervision of the Bengal Legislature have been thus withdrawn from the Lieutenant Governor, he will be enabled to exercise that active personal supervision and control of the Lower Provinces which are always associated with, and seem to be characteristic of, the functions of a Lieutenant Governor; and we would propose still further to diminish the burden imposed upon him by erecting Assam into a Chief Commissionership. It will be for the Supreme Government to decide whether the Chief Commissioner thus appointed should remain subordinate to the Lieutenant Governor of Bengal, or be transferred, like the principal authorities in Oudh and the Central Provinces, to the immediate supervision of the Governor General in Council.

21. With reference to alterations which have been proposed in the official organization of Bengal, it will be observed that great unanimity prevails on many points among those whose opinions have been submitted to us.

22. For instance, all concur in thinking that a single individual should be substituted for the Board of Revenue. We are clearly of opinion that this change should be made.

23. We are of opinion that the salaries and position of Judge and of Collector and Magistrate should be made equal, in order to obviate one great cause (promotion from the lower to the more highly paid office) of too frequent changes in the executive administrations of the several districts. We would also recommend that arrangements be made for a more distinct separation of the judicial from the other branches of the service.

24. We think the powers of Commissioners and all district officers should be increased.

25. We have next to deal with the second want which has been brought prominently to our notice, the absence of any official link to connect the Government with the people.

26. From the correspondence laid before us it would seem that there is a marked concurrence of opinion on the point that the local officers in Bengal are not sufficiently conversant with the people of their districts.

27. This very serious evil is susceptible of efficient remedy, and we are of opinion that it is to be found in the large and more systematic employment of natives of education. A very large increase in the Uncovenanted Service has taken place in recent years, but the majority of lucrative employments has been given to Europeans. We regard this as a great evil, and we recommend that the Supreme Government be called upon to consider and propose a scheme by which the services of natives may be made available in appointments to which larger emoluments are attached than those to which they are at present generally admitted.

28. We await the arrival of documents from India, which we are led to expect will be soon received, before addressing ourselves to the consideration of increasing the powers of the subordinate Governments with reference to local taxation, the appropriation of the revenues of the territory subject to them, and the other points alluded to in your memorandum.

We have, &c.
(signed) *F. Currie.*
E. Perry.
Ross D. Mangles.
H. G. Montgomery.

The Right Hon. Sir Stafford Northcote.

— No. 6. —

MEMORANDUM by Mr. *Arbuthnot* and Sir *Bartle Frere*.

I REGRET that I cannot concur in the first part of the Report of the Special Committee. I am fully aware that no scheme can be devised against which some objection may not be taken; our object must, therefore, be to select that which is open to the fewest objections. If a suitable locality for the head quarters of the Supreme Government, in a central position and in a good climate, could be found, that would go a long way to remove all our difficulties; but as that has not yet been discovered, I would allow Calcutta to remain the nominal head quarters of the Governor General, and it would be desirable that he should pass some portion of every year in it, but I would leave him free to visit other parts of India whenever he might think it desirable to do so.

The question then arises, when he proceeds on a tour, should he take his Council with him, or leave them in Calcutta. In my opinion, the objections to the latter course greatly preponderate.

The Governor General and the President in Council have a concurrent jurisdiction, so that, on every occasion, an arrangement has to be made as to what portion of the business has to be allotted to each. Thus the opinion of the Governor General on most important questions may be unknown, or, at any rate, not receive the consideration to which it is entitled; while, on the other hand, when the Governor General acts on his own responsibility, the views of the Members of his Council are not recorded. The objection to the Council leaving Calcutta will be greatly mitigated by there being a full Government, that is to say, a Governor with two Members of Council, in Calcutta, and this I consider desirable on many considerations.

The Governor of Bengal would correspond direct with the Secretary of State, and the Governor General would thus be relieved of much detail which is now thrown upon him, and to which he is unable to devote as much time as it requires.

The plan of separating Calcutta from Bengal is, in my opinion, open to most serious objections. The connection that exists between the planters in the provinces and the mercantile community of Calcutta is so intimate, that the greatest inconvenience would be experienced if they were placed under different jurisdictions.

I would give the Governor of Bengal a Legislative Council, with the same power that is committed to the Legislative Councils of Madras and Bombay, and I would make the permanent Legislative Council of the Governor General consist of his Executive Council, giving him power to call up for the nonce any influential inhabitants of the neighbourhood in which he might happen to be.

I would limit the action of the Governor General's Legislative Council to acts affecting the whole empire, but I would require that all acts passed by the subordinate Legislatures should be approved by the Legislative Council of the Governor General, which should have power to make any amendments that might seem to them advisable.

W. U. Arbuthnot.

I concur in all Mr. Arbuthnot's objections to the Report of the Special Committee which our colleagues have signed. I will not detain his dissent to specify the few qualifications with which I concur in the alternative suggestions he has offered, as I hope to express in some detail the views I hold regarding the best form for the Government of Bengal.

H. B. Frere.

15 September 1867.

— No. 7. —

LETTER from Sir *Stafford Northcote* to Sir *F. Currie*, Chairman of the Special Committee.

Harley Street,
14 November 1867.

My dear Sir F. Currie,

ALTHOUGH I have not yet received the separate report which I understand that I may expect from Sir B. Frere and Mr. Arbutnot upon some part of the general report which you have forwarded to me, I will not delay to thank you, and, through you, the members of the Special Committee, for the trouble you have taken in the investigation of the questions which I had referred to you. I will, at the same time, offer a few remarks upon your proposals, chiefly for the sake of distinctly raising some points on which I shall, by and by, desire to have the opinion of the Council.

I am inclined, in the first place, to take exception to the method pursued in your report. The immediate and pressing question is, how far the Government of Bengal can be strengthened. This question you make subordinate to the question, What shall be the capital of India? Having decided that Calcutta shall be the capital, and having further decided that migrations from the capital should not be allowed to the Supreme Government, you then proceed to make the best arrangement for the administration of Bengal that is compatible (as you think) with those conditions.

I think it would have been better to have inquired, first, what is the best form for a Presidency Government; then what changes should be made to bring the Government of Bengal into that form; after which the question would have arisen, whether the adoption of those changes would cause inconvenience while Calcutta continued the seat of Government; and then would have come the questions, whether the adoption of the Bengal reorganization plan (whatever it might have been) was more or less important than the retention of the seat of Government at Calcutta, whether the contemplated inconveniences outweighed the advantages, and whether there was any mode of getting over the difficulties that presented themselves.

I am myself strongly impressed with the belief that the proper organization of local or Presidency Governments is the great want of India. I think it important for the interests of the people of the Presidencies, which are likely to be better attended to, and I think it important for the sake of the Government of India, which is in danger of being overwhelmed with the constantly increasing mass of detail work consequent on its being charged with matters which might safely be left to the Governments of the Presidencies.

I wish to strengthen the Presidency Governments for the purpose, not of weakening, but of strengthening the Government of India.

The extent to which it may be possible to carry this principle at the present time must be a matter for serious consideration. I have no wish to act with precipitation. But I think we ought to be careful to take no step in the opposite direction.

I suppose I may assume that Bengal is as well entitled to the form of government which is best suited to it as Madras and Bombay are to the forms best suited to them. It may be that the same form will not suit all three equally well. But *prima facie* it would seem that, if the constitution of Governor and Council is good for Madras and Bombay, it would be good for Bengal; and if it be good for Bengal, I think we ought not to refuse it to her for Imperial reasons, unless the strength of those reasons be conclusively shown.

Without at this moment entering upon the question whether Calcutta should or should not be the capital of India, I would remark, that I do not see any necessity for refusing to erect Bengal into a Government, even though the seat of the Supreme Government should be within its limits. I believe that, if the arrangements of the Supreme Government were left as at present, and if some moderate additional powers were given to the Presidency Governments as respects Presidency affairs, the Government of Bengal might be efficiently carried on. I think too much weight is given to the picturesque objection, that the Governor General would overshadow the Governor of Bengal. He certainly could not overshadow him more than he overshadows the Lieutenant Governor, nor so much. The probability rather is, that if you got a completely organised Govern-

ment

ment of Bengal, the Governor General would gradually find that the presence of the Supreme Government, or, at all events, his own presence, was less required at Calcutta, and that he might, without inconvenience, exercise more personal superintendence over other parts of India, as occasion might demand.

This brings me to the question of the proposal you make, to bind the Supreme Government to Calcutta. I think that the attempt to do this artificially is a mistake. Without entering upon the arguments for and against a fixed seat of Government, and without disputing that, if there is to be a fixed seat, it should, for the present, at all events, be at Calcutta, I would express my opinion that it is unwise to fetter the discretion of the Government of India as to the best mode of doing their work. Admitting that they may be somewhat biassed by considerations of personal comfort, I still think that they are better judges than we are of the advantages and disadvantages which attended the migration of the whole Government, on the one hand, and the separation of the Governor General from his Council, on the other.

I do not think that the Special Committee have shown any sufficient reason for their conclusion that the disadvantages of allowing the Viceroy to exercise the full authority of the Government in the absence of his Council are less than the disadvantages which arise from the movement of the whole governing body. The argument that it is desirable that the deliberations of the Viceroy in Council should be aided by access to "the records of former Governments," and by recourse to the "official ability, legal and administrative, congregated at Calcutta," as well as by the influence of the "large and independent non-official community" resident there, is an argument which appears to me to apply, with at least equal force, to the independent action of the Viceroy when away from his Council. The Viceroy in Council at Simla, if he is deprived of these advantages, has at least that of being able to discuss each question as it arises with six gentlemen of high standing and authority. The Viceroy at Simla, without his Council, would have to act for himself without discussion, or else he must carry on the discussion in an unsatisfactory way by correspondence. The arguments, in short, which you adduce for binding the Members of Council to Calcutta, would lead to your binding the Viceroy also to Calcutta, unless you intend to alter very materially the footing on which you place them and him in respect of the conduct of the business. But of such an intention I see no indication in your report.

It seems to me that this question of the capital of India, which you treat as the primary one, is in reality only a secondary one. It is also one which I think is not yet ripe for settlement.

The three primary questions appear to me to be—

1. The establishment of proper relations between the Supreme and the Presidency Governments, and the proper constitution of the Presidency Governments.
2. The establishment of proper relations between the Home Government and the Government of India, and the proper constitution of the Home Government.
3. The proper constitution of the Government of India, with reference to its relations to the Presidency Governments on the one hand, and to the Home Government on the other.

Fully to settle these questions must be a work of time. When they are settled, the question of the capital will settle itself. I deprecate, therefore, any forcible attempt to anticipate the course of events in this particular.

As time is passing, and it is important that we should make some progress to a conclusion, I think the best course will be to have your report, together with any that Sir B. Frere and Mr. Arbuthnot may put in, printed, and sent to the Members of Council. This letter may perhaps be sent with it. I would send a copy confidentially to Sir J. Lawrence, and I should like also to show one to Mr. Maine. I would then prepare a draft letter to India, which I would submit to Council in the usual way, and which, when it had been sufficiently considered, might be discussed at a Special Council.

As at present advised, I should confine myself, in that draft, to proposing the erection of Bengal into a Government, and the adoption of those changes with regard to the Board of Revenue, the separation of Assam, and other matters

which are connected with Bengal reorganisation, and as to which the Special Committee have made most valuable suggestions.

I would reserve for separate letters—

1. The question of greater Presidency independence, which will arise in answering Colonel Strachey's financial proposals.
2. The question of alterations in the mode of conducting the business of the Government of India, which will arise in discussing Mr. Maine's suggested clauses.
3. The question of any alterations in the "Government of India Act (1858)," to which I am about to call the early attention of the Council.

I remain, &c.
(signed) *Stafford H. Northcote.*

— No. 8. —

MEMORANDUM ON THE DRAFT REPORT OF THE SPECIAL COMMITTEE ON THE
GOVERNMENT OF BENGAL.

I GREATLY regret that there are very few portions of the Draft Report to which I can give an unqualified assent.

The object of the reference to us is to obtain a scheme for the better government of Bengal. It is open to us to make any suggestions which may incidentally occur to us for the better government of other parts of India, but the improvement of the administration of Bengal is to be our first object, and should be considered first.

The question of whether the Government of India shall be generally peripatetic or fixed, and, if fixed, where shall be its head-quarters, is in itself a very important question; but I hold that its decision one way or the other has little bearing on the best form of government for Bengal, further than that, if it be decided to fix the Governor General at Calcutta, the arguments for giving Bengal the best and strongest possible form of local government will be much strengthened.

In framing the draft, it seems to have been accepted that, if the Government of India be permanently fixed in Bengal, with Calcutta for its head quarters, a full Government with establishments and powers similar to the Governments of Madras or Bombay is impossible or unnecessary, and that, unless the seat of the Government of India be removed out of Bengal, a Lieutenant Governor, with a status and powers and administrative machinery somewhat similar to the present, is all that is needed or possible.

I cannot assent to any part of this doctrine. As far as I can judge from my own experience, the presence of the Governor General and his Council in Calcutta for the whole, or for any large portion of the year, need cause no inconvenience to a local Government constituted in all respects like that of Madras or Bombay.

On the contrary, I should expect a Government so constituted to find the advantages of the Governor General's presence far outweighing any small inconvenience to the local Government which might attend it, provided always that both parties took reasonable care to mind their own business, and I feel sure that if either trespassed on the legitimate field of action of the other, the evil would be corrected much sooner and more completely, if they were at the same place, than if they were far apart.

I cannot, therefore, think that the selection of Calcutta as the permanent seat of the Government of India need create the slightest difficulty, still less impossibility, in providing Bengal with the best and most complete form of local Government which we know in India.

On the other hand, I hold that such a selection of Calcutta as the metropolis of all India would greatly strengthen every reason for giving Bengal such a form of separate government, a government which shall be as complete as possible

sible in all its departments, as strong as possible, both in its acknowledged functions and powers and in the indirect weight due to complete organization.

The draft proposes to effect the same end of making the good government of Bengal possible, by lopping off from the present Lieutenant Governor all control over the natural capital of Bengal, leaving to him no direct concern with the metropolitan interests of the law or the commerce of his own province, or with such learning or science as have their abode in Calcutta. The High Court is to be out of his jurisdiction; if the Chamber of Commerce addresses him, it will be as the potentate of a neighbouring State; if he attends a school or an university meeting, it will be as a stranger from an adjoining province, liable to be told he is out of his jurisdiction, and to be asked why he is not in Assam or Orissa.

I much doubt whether this is the kind of position which the present or any former Lieutenant Governor of Bengal would desire or would have tolerated. I am quite sure there are few men, fit to rule over a great province, who would accept it on such terms, if they had a chance of any important position in or near the capital.

The proposed plan seems to me much as though we were to say, "The Lord Lieutenant finds it very difficult to govern Ireland; let us strengthen his hands by excluding from his jurisdiction the city of Dublin, with its lawyers, its university, and its troublesome press. Let us take them under the direct control of the Cabinet, with a separate minister for the government of Dublin, and let us leave the Lord Lieutenant free to improve Galway, and to choose between Belfast and Cork as his capital." I would ask how many and what sort of men would accept the Lord Lieutenancy on such terms? and how such a scheme could practically work?

But the duties which the proposed scheme will take from the Lieutenant Governor cannot be annihilated. They are simply transferred to the Governor General, already overburdened with work. It is true he may have an extra member of his Council to aid him, as Deputy Governor of Calcutta. But, unless it is intended that these duties should in some way come within the immediate purview of the Governor General and his Council, it is difficult to see why they should be taken out of the hands of the Lieutenant Governor.

The latter is generally a man who has passed through the Council of India, and, if the Governor General is to deal with Calcutta affairs, in any sense other than that in which he would deal with references from Madras or Bombay, it is certain that, while in Calcutta, he will be forced to attend more or less directly and personally to business which, however important, is clearly not imperial in its scope, but which will seriously curtail the time and attention he will have for those affairs of India at large, with which none but a Governor General can adequately deal.

It seems to me only necessary to think over the various questions connected with Calcutta which have of late years occupied much of the time and attention of Government here and in India, to see how practically unworkable the proposed scheme for placing Calcutta under the direct control of the Government of India must be.

There is a vast body of most important questions connected with the High Court, from questions of jurisdiction affecting the basis of all civil rights and all settled Government, down to questions of procedure, which, however intrinsically unimportant, usually surpass all others in the ill feeling they create, and the trouble and loss of temper and time which they occasion.

It has been the policy of late years to withdraw the Governor General personally, as much as possible, from the immediate arena of such differences, great as well as small, and this has been effected to a very considerable extent, and with the best results.

This policy will, however, now be reversed. The Viceroy, instead of occupying a position in which he can be appropriately appealed to, as an unbiassed referee whose decision both parties may accept without loss of dignity, will become personally a party to every difference between the High Court and the Executive Government.

For, it cannot be expected that the High Court, which now chafes at being placed on any footing of equality with the Lieutenant Governor, will be inclined to treat him with more deference when he has been shorn of all authority in his own capital.

Nor will the High Court be inclined to treat with more respect the newly created office of Deputy Governor of Calcutta, a functionary who will probably appear, to legal eyes, much in the likeness either of a small oriental lord mayor, or in the aspect, still more distasteful to the imagination of English lawyers, as the governor of a capital city or of a military fortress.

There are very few questions which can arise between the High Court and the Executive which will not bring the High Court into correspondence with both the proposed urban and the rural governments, and the High Court will have strong ground of convenience to urge for a return to the ancient practice of that direct correspondence with the Viceroy which has, in times past, been found productive of so much embarrassment.

Then there is the question of jurisdiction. The ancient limits of the Supreme Court now include only about a third of the real metropolis. Howra, the Southward of Calcutta, is now a large City, and the growing suburbs of Alipoor, and Ballygunge, and Sealdah, are all beyond the Maharatta ditch.

Shall the limits of the old Supreme Court jurisdiction be extended or contracted? The creation of an entirely new Civil Executive Government for the capital will bring out into still more inconvenient prominence than at present the evils of a divided jurisdiction.

But fix the limits of the new Deputy Governor's authority where we may, there is hardly a question affecting the city which will not fall into two jurisdictions. The question of enlarged or floating docks at Howra or Kidderpoor, of river conservancy, or of bridging the Hooghly, of ghaut murders, and coolie emigration, of Calcutta drainage and water supply, will all belong almost as much to the one as to the other, and increased friction and delay are inevitable in dealing with them, if the proposed scheme be carried out.

The result must naturally be more frequent reference to the Viceroy. He is to be, by the hypothesis, more frequently on the spot than at present, and will be more directly concerned in the administration of the city, and will be inevitably dragged into the discussion of local matters, not only, as at present, to decide between the Lieutenant Governor and some dissatisfied local interest, but either to prevent or to decide differences of opinion between his Lieutenant and Deputy Governors. It will be far more difficult than at present to say who could most fitly originate any important measure, and the chances of such measures being checked or marred by errors as to who should start them, or be consulted as to the starting, will be infinitely increased.

In what I have said above as to the injury which may be done by reducing the present status of the Lieutenant Governor, I would not be understood as implying, for a moment, that the work left to the Lieutenant Governor by the proposed scheme will be in itself unimportant.

On the contrary, I believe that it will still be, as it is at present, far beyond the power of any mortal man to perform properly; and that the Lieutenant Governor's chance of performing it will be diminished, and not increased, by depriving him of the jurisdiction over the city, and by setting up a rival potentate in the natural capital of his kingdom.

And this brings us to the question, what does the Government of Lower Bengal mean?

It means the government of a country which is, according to Thornton and Hornidge, * 750 miles from north to south and 800 miles from west to east, with an area of 246,785 square miles, and a population of 42½ millions; that is, about the size of France, and much more populous; or more than three times as large and twice as populous as England and Wales; or six times as large and six times as populous as Ireland.

Bengal has a sea coast of 800 miles long, which is more than all Germany possesses, with islands on it, "some of which rival in size and fertility our Isle of Wight." Among its ports it reckons Calcutta, the third largest city in the British empire, and one of the greatest commercial emporia out of England.

"No tract of the same extent in the world," we are told, "is traversed by so great a number of rivers and watercourses" as Bengal. Among them are two, the Ganges and Burrumpootra, which rank among the greatest rivers in Asia; the

* *Vide* Thornton's "Gazetteer," 1857, and Hornidge's "Statistics of India," 1867.

the Ganges, as regards the traffic it carries, and the wealth and numbers of the population on its banks, is one of the most important rivers in the world.

On the borders of Bengal is the highest mountain in the world. Lower down, Bengal has "a coal and iron field equal," we are told, "in extent to the whole of England," and between the eternal snows of the Himalayas and the almost intolerable heat of some of the plains, Bengal offers the equivalent of almost every known climate suitable to human habitation on the face of the globe.

Its rainfall varies from about the equivalent of England to the heaviest registered in the world. Much of the country is still under primæval forest, but all is fertile. There are probably few countries in the old world of equal extent where so little land naturally unculturable is to be found as in Bengal, and few where the population is so dense.

There are four principal languages, each spoken by many millions of the people under the Bengal Government, besides many which are spoken over a less extensive area, and some of them very imperfectly known to us. Some are noted in the margin, but Mr. Bryan Hodgson investigated the grammar of 16 tribes, all mutually unintelligible to each other, but all spoken within the Government of Lower Bengal or its feudatories, or on the southern slopes of the Himalayas and in Assam. The Austrian empire, while it still included North Italy, was inferior in the numbers of its population to Bengal, and the variety of races and languages under Bengal is nearly four times as great as was ever reckoned under the old Austrian empire.

If we compare Bengal with our West Indian Colonies, we find that Bengal is seven times as large and forty times as populous as all our West Indian possessions; Calcutta and its suburbs alone containing a larger population than all Jamaica, Barbadoes, Antigua, and the Bahamas put together.

The greater part of this population inhabiting Bengal are excellent agriculturists and keen traders. Except in China, there is probably no population in the world so dense and in every way so productive, and there are few countries where so little labour is needed to support individual life. The stranger travelling in Bengal, even if used to the tropics, is amazed at the fertility of the soil and the density of the population, and at what has been called "the air of sluttish plenty," which seems to make it difficult for any one to starve.

All these millions, though probably the most docile people in the world as regards external Government, are not savages, nor even mere agricultural machines. I have no doubt that any one of the 42½ millions of natives of Bengal is intellectually superior to the less than one million of negroes in the West Indies. Indeed, the Bengalis proper, who form the great majority, are, in point of intellect, among the most remarkable nations in the world. Many races excel them in vigour, and in power of applying intellectual processes to produce practical results, but in general keenness and subtlety of intellect I know of no people in or out of India who generally excel the Bengalis, and I doubt whether, in any population under the British Crown, will be found such a large proportion of minds among the educated classes apt at every branch of abstract speculation in morals or philosophy, and so capable of applying the results to the theory of law and morals.

There is not a question which has ever occupied the moralists, philosophers, and legislators of the civilized world which has not been, or is not now, intelligently discussed by the writers and thinkers, indigenous or exotic, who are to be found in the schools of Bengal. In a sacred language of their own, more precise, copious, and complete than any known tongue, they have, and now habitually study, the original germ of every great system of philosophy and morals which occupied the great teachers of Persia, Greece, and Rome. And this Sanscrit teaching is in various ways popularised in their own Bengali language, which was formed and copious, and had an extensive literature of its own when most of our modern European languages were unformed.

It is no facility in dealing with such people to find that they are deficient in some of those masculine qualities of character which are necessary to form an independent nation. Indeed it is this defect which constitutes one of the chief practical difficulties in providing them with a good government. I do not by any means accept the popular estimate of Bengali character, even when vouched by

1. Bengali.
2. Hindoostani or Oordoo.

3. Oorya.
4. Assamese.

1. Mug.
2. Munnipooree.
3. Garrows.
4. Nagas.
5. Kookees.

- Languages of the—
6. Lepchas.
 7. Booteas.
 8. Sontals.
 9. Gonds.
 10. Koles.

such authority as Macaulay, but admitting it for the sake of argument, to the fullest extent, would 42½ millions of intelligent women and children be such an easy charge to manage?

I sincerely believe that to govern, in any sense, such a country and people is a task not inferior to that of governing a large nation in Europe. The task may be divided. The Secretary of State and the Viceroy may take care of all external relations, of military and naval defence, of much of the finance and legislation, and may have a potential voice in every great question and a veto on every proceeding; but the mere functions of reporter and Administrator General over such a vast territory, and so varied and numerous a population, are of themselves quite as intrinsically important as the home administration of Spain and Italy.

I have said nothing of difficulties arising from the presence of a large and powerful body of Englishmen scattered as planters and merchants over the whole country. I believe that their presence is of the utmost value and importance to Bengal, but they certainly do not diminish the labour of its Government.

And what administrative machinery have we provided for this vast and populous country—a country which, except in its capacity for rebellion, would certainly rank, if it could be dropped into Europe, amongst the richest, largest, most populous, and not least civilized nations of this continent?

We have provided for its administration, as chief, an English gentleman who can hardly ever have resided less than 25 or 30 years in one of the most trying and exhausting climates in the world, and he has, to aid him, 232 gentlemen in the Covenanted Civil Service, in various capacities, from the senior member of the Revenue Board down to the students of languages just arrived. There are besides 861 principal Uncovenanted Civil servants, filling various judicial, fiscal, educational, and miscellaneous civil offices, from a Judge of the High Court down to subordinate Civil Judges (moonsiffs) and 5th class Deputy Collectors and Magistrates, or 4th class Superintendents of District Police. Of these uncovenanted officers from one-half to two-thirds appear from their names to be of European descent.

When we compare this administrative machinery with the area and population of the country, we find that for every five millions of people inhabiting a country larger, richer, and more important in every way, except fighting power, than most third class European sovereignties, we have one-eighth of a Lieutenant Governor, about 28½ English gentlemen, Covenanted Civilians, and about 112 Uncovenanted gentlemen, some natives of the country, some of European descent, whose position is generally subordinate to that of the Covenanted officers.

Of the administrative capacity of these latter, we have a sufficient measure in what we know of the qualifications needed to ensure admission at a competitive examination for the Civil Service.

It must be borne in mind that these numbers comprise the whole of the administrative machinery of this vast province, with the most trifling exceptions. The duties which the great feudal chiefs perform in other parts of India, and in most parts of Europe, or which the unpaid administration performs in our own country, are not fulfilled by any class in Bengal.

It is true that there are 80 honorary magistrates and 105 justices of the peace, many of them non-official, in Calcutta, but they have no jurisdiction in the province beyond the capital. There are a few Europeans, and a great number of natives, with vast landed estates, often as large and as rich as an English dukedom. These men have none of them even a semblance of a share in the administration. They have, of course, vast unrecognised illegal power, which they exercise for good or evil, but as regards legal recognised authority they are, with the rarest possible exceptions, not on a par with a village constable here or in France.

With these facts before us, can we say that Bengal has anything but the shadow of an administration? Can we wonder at a break-down like that of Orissa? or that of the late Lieutenant Governor's two predecessors? One reported that Bengal could hardly be said to have a police, while the other stated officially that the administration of civil justice, owing to want of a sufficient number of judges, and of adequate pay, was little better than a farce.

It is true that of late years there has been a nibbling at improvement, both in police and judicial administration; but what has been attempted bears no proportion to the wants of the country, and Bengal is still practically ungoverned,

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for that is the long and short of the Commission's report on it, and of all that we have seen and heard during the late famine.

The draft report of the Special Committee proposes to mend matters by docking the Lieutenant Governor of his capital, and by giving him a little more aid here and there to get through his work on the present system.

The work of which he is to be relieved is, in the main, to be made over to the Government of India.

Ten years ago, one of the greatest administrators India ever had, returned home fairly broken down by over work, as Governor General. Lord Dalhousie recorded, before he left India, his conviction of the impossibility of any mortal man continuing such labour as he had performed, and he counselled a change of system.

Something was done in this direction with good results, but meantime the empire has extended, peace has brought its multiplied demands for better and more elaborate government, and I find, by a return with which Mr. Seccombe has favoured me, that whereas the Government of India sent to the Court of Directors, in 1851, 558 letters, and received 543, making a total of 1,101 letters, the same Government last year sent to the Secretary of State 1,594 letters, and received 1,330, making a total of 2,924 letters, and the increase of work in every other direction has been equally great, and, as I can testify from experience, is fully double what it was 10 years ago.

It is difficult to convey by figures any accurate idea of this growth of work, both in Bengal and in all India; but the annexed tables, which Mr. Hornidge has been good enough to draw up, may help to measure, in some degree, what must have been the rate of progress in all that gives work to the administration.

Thus, in the Revenue Department, it will be seen that in the "good old times" of 80 years ago, the receipts for Bengal were just over five millions sterling, and those for all India under seven millions.

During 45 years, from 1846 to 1865, the gross revenue of Bengal rose from between seven and eight to 15 millions, and the revenues of all India from 20 millions to 45 millions.

Of course, by no device of administration could a revenue so increasing be managed without a vast increase of work in every department connected with public income and expenditure.

Turning to trade, we find a similar increase. The seaborne trade of Bengal, which was less than 150,000 tons at the beginning of the century, is now nearly two millions of tons; while during the same period, that of all India has risen from 300,000 tons to more than six millions of tons.

In value the increase has been still more marked; for, whereas the seaborne imports of merchandise and treasure, exclusive of port to port trade, was valued,

	For Bengal.	For all India.
In 1802-3 at	- 2,250,000 l., and	- 4,440,000 l.,

The values were,

In 1865-66	-	-	20,700,000 £, and	-	-	55,280,000 £.
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While the exports were valued,

	For Bengal.		For all India.
In 1802-3 at -	- 3,151,000 £, and	-	- 4,814,000 £,
In 1865-66 at -	- 20,196,000 £, and	-	- 64,830,000 £.

The greater part of this increase in Bengal is of course attributable to Calcutta, where it appears the shipping increased from—

				Ships.				Tons.
	In 1812-13	-	-	-	457	-	-	169,000
to—								
	In 1865-66	-	-	-	2,209	-	-	1,655,000.

While the total value of the Calcutta trade, foreign and coastwise, rose from less than five millions sterling in 1814-15 to 52 millions in 1865-66.

It will be seen, from a comparison of these tables, that the mere coasting trade

of Calcutta is now of greater value than the whole foreign trade of India was 55 years ago.

There is, perhaps, no better measure of the demand for better paid and more perfect administration than these trade returns will suggest, and to whatever department of State we turn, the same result is apparent.

Thus, 20 years ago, the Public Works Department had little money to spend, and gave little trouble. The expenditure under this head is now double what it was 10 years ago.

Railways and electric telegraphs were not in existence in India 20 years ago. They are now very extensive and very troublesome departments.

The Post Office work and expenditure has more than doubled in 10 years.

The schools and colleges supported or aided by Government have increased in 12 years forty-fold in number, while the State expenditure has increased five-fold.

The increase of work in the Legislative Department is a theme of constant remark, and often of what I think, is not very just reprehension, for it is clear that, when every Department of the State and every interest is increasing in the manner above shown, the demand for more laws, and the necessity for having those laws more carefully framed, must be increasing also.

We have now, as Governor General, one of the most experienced and laborious men who have ever filled the post. I doubt if there ever was one who gave less time to avoidable abstract questions, or who more sedulously devoted himself to the prompt dispatch of the current practical duties of his office, and he, in a time of peace and of no special strain now declares himself over-tasked. How can we, in the face of such facts, propose to add to his duties by requiring him to undertake the direct government of a great city like Calcutta?

I hold that the good government of Bengal, and of all India, demand a process the reverse of this, that, instead of dragging the Governor General back to the task from which he partially escaped some years ago, of governing Bengal, we should further emancipate Bengal, and make it better able to go alone and less likely to give trouble and cause reference to the Government of India.

What, then, is the best form of Government of Bengal?

Some authorities of great weight recommend an autocratic Governor, or Lieutenant Governor, without either legislative or executive council.

I cannot think this a possible solution of the difficulty. I have known some of the ablest men in the Bengal service, but I never knew one who could reasonably hope for success in such a post.

Let anyone imagine the condition of any head of a department, in this or any other country, deprived of all the light which is thrown on a subject by counsel and discussion by equals or opponents in or out of Parliament, and required to dispose of a case simply on the official correspondence with his own subordinates.

Imagine such a man devising a scheme of education or irrigation, of police or judicial reform, or even drawing up a law on any subject affecting many interests, with no aid but his own intellect and the departmental experience of the secretaries and clerks under him. No one who has ever attempted such a task can doubt the certainty of his failure.

I believe the fashionable doctrine that an autocratic Governor or Lieutenant Governor is a good or possible permanent form of government for any civilised and settled portion of India to be altogether erroneous. Such a Government has succeeded as a temporary expedient in a newly conquered province, where it is possible to give really uncontrolled executive power to any one man. In such a position it is the natural step after military occupation, and may endure for a longer or shorter period according to the size and importance of the province, but the possibility of entrusting really absolute power to anyone, however gifted, speedily ceases in any province. It can seldom last beyond the first 10 years after conquest. The presence of half a dozen, or even of one, really respectable Englishman, independent of the Government, is apt to be fatal to the efficiency of such a form of administration, and it then becomes necessary to develop a more complex system which shall relieve the autocrat of some of his powers and responsibilities, and aid him to mature and carry out

out his measures through men who are not bound to render him implicit obedience.

This has been done gradually, and more or less perfectly, in all our conquests, in the North West Provinces and the Deccan since 1817, and in our later acquisitions in the Punjab, in Sind, in Oude, in the Central Provinces, and in Burmah, and always with visibly good result.

No man in his senses would now propose to revert, even in the smallest of these provinces, to the most complete and most successful of the despotic Governments of former days, when all civil and military authority, executive, judicial, and legislative, was wielded by one man of consummate ability, the late Sir C. Napier. Some may sigh for a return to the days when the best and most energetic civil administrator whom the Government of India could find in all India was selected to act as the local lieutenant of a really despotic Governor General, who had conquered and annexed the province, who knew more about it and its wants than any one of his subordinates, and who devoted his best attention to its affairs. But such an experiment can never be repeated. Perpetual infancy of civil government is just as impossible as perpetual reconquest, and I have never yet met the man, connected with the recent administration of any of the provinces I have named, who seriously proposed any practical steps towards recombining functions and departments in their administration which had once been severed.

We have, in fact, been unconsciously trying, in Bengal itself, for some years past, and with the most disastrous results, the very system which it is now proposed to carry still further and perpetuate.

There was a time when the administration of Bengal was not a by-word and reproach. As long as it was the principal object which occupied the Governor General and his Council, Englishmen were justly proud of the Bengal administration, and we still turn to the Council proceedings of those days when English statesmen like Cornwallis and Sir Philip Francis discussed the affairs of Bengal with Indian administrators like Warren Hastings and Lord Teignmouth, if we wish to show a foreigner State papers on Indian affairs which will bear the test of time, and which can be made intelligible to men unacquainted with local details, as the record of a great and successful administration.

But, for the last 50 years, as the Indian empire grew, Bengal gradually fell into the hands of a single administrator. First of all, the Governor General, or, in his absence, the President of his Council, administered Bengal at such odds and ends of time as could be snatched from the affairs of India in general, aided in this hopeless task by a single secretary; and latterly the Governor General's share of the administration has been made over to a Lieutenant Governor with a secretary, and latterly two secretaries, to help him.

Surely it cannot be said that concentration of functions or authority could go much further than this.

The domestic policy and administration of this country, bigger and more populous than France, which had been hard work for Warren Hastings and Francis, Cornwallis and Teignmouth, and the large Councils which sat and debated with them, could not have been confided to fewer hands than those of a single civilian.

Nor could the most ardent admirer of this system of simplification and "unification," as the phrase goes, of authority, have chosen better men to carry it out. The fiercest opponent of the Bengal Government must admit that, at the time of their several appointments, no men stood higher in general estimation than did the late Lieutenant Governor and his predecessors, as men peculiarly fitted for such a post by their great talent, wide experience, profound and varied departmental and local knowledge, and above all, by their habits of ruling. Probably neither Russia nor France ever afforded, in their official training, such a good school as the Calcutta Secretariat for exercising all the cabinet functions of autocratic administrative power.

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It seems to me that the plan now proposed to us will aggravate every one of the obvious causes of the Lieutenant Governor's difficulties and failures.

I would advise, instead, a return to the old system of a Governor with authority in all domestic matters, such as Warren Hastings or Lord Cornwallis possessed when Bengal constituted almost the whole of our Indian empire, and aided, as they were, by Councils possessing the weight, not only of individual ability, but of numbers and variety of experience.

This is not to be done by intruding a corner of the Government of India into the domestic administration of Bengal, but by allowing the Governor General and his Council to manage the really Imperial work of India, and by leaving the strengthened Government of Bengal the time and power necessary for their still hereulean task of local administration.

As to the precise strength and organisation which should be given to such a revived Government, I would adopt the model of a division of our empire not dissimilar from Bengal in size and population, and which for nearly a century has been remarkably successful in a career of constant steady progress and improvement.

The task of governing the Madras Presidency differs somewhat in its peculiar difficulties from that of governing Bengal. If the people of Bengal are the more docile race, it is certainly easier to learn the wants and wishes of the native population of the Madras territory.

If the Madras army adds to the labours and responsibilities of the Government, the burden so imposed is not greater than the charge of such a city as Calcutta; and, upon the whole, I should estimate the task of really governing Bengal as quite equal to that of governing Madras.

Whatever may be said in favour of this or that theory of local Government for India, there can be no doubt that we have no actual experience of any Government which has hitherto been tried for any lengthened period, and has, during the whole time, been more uniformly and steadily successful than that which we find at Madras. Some political economists may denounce the Madras land tenures, some may sneer at the comparative slowness of change, which is the natural characteristic of a population mainly agricultural; but whatever defects may still exist, I believe that no impartial judge will deny to Madras some special excellencies of administration which are lamentably wanting elsewhere in India.

I know no part of India where the whole machinery of Government pays more attention to what the people—the natives of the country—think and desire. As far as the local Government can secure them, there is a good police, a fair administration of justice, an improving public revenue, comparatively comfortable relations between natives and Europeans, and steady, if not rapid, improvement in almost every branch of internal government.

There can, I think, be no question that the work of the Madras Government comes before the Government of India, and the Secretary of State in a much more complete and well-digested form than that of any other division of the Empire.

It is also by far the steadiest and most consistent Government. It is very unusual to see, in the proceedings of the Government of Madras, those sudden and violent changes of policy which are of such deplorable frequency in other parts of India.

Above all, the Government of Madras is unquestionably the most economical in spirit. The Government of other divisions of the empire may be less costly per head of the population, but the smaller cost is always, as far as I know, in such cases, obtained at the expense of comparative efficiency; and nowhere, I believe, is more got for the money than in Madras, and nowhere, in my opinion, is the public expenditure directed by a truer spirit of economy than under that Government.

For all these characteristic comparative excellencies I can find no special reason, except that in Madras the working machinery of the Government has, for many years past, borne some sort of reasonable proportion to the work to be done. The work is in essentials much the same, the agency is either identical in character and qualification, or very similar. It differs only in the quantity employed, and I can find no reason for the generally uniform success of the Madras administration, and the general uniform failure of the administration of Bengal, save the very obvious one, that the task to be done in Madras is one
which

which reasonable industry and energy can accomplish with the machinery provided, while in Bengal the task is utterly beyond the powers of any human being.

I have instanced Madras rather than Bombay, because there are many disturbing elements in any comparison with the latter presidency, to which the excellencies or defects of its administration may be attributed ; while I know no peculiarity of good or evil fortune which will account for the difference observable between the average results of administration in Bengal and Madras.

I am aware that opinions differ as to the share which the Council may have had in producing such results at Madras, and that very opposite views are held, regarding the general utility of Indian Councils, by men whose opinions are entitled to much weight.

According to our rough, unsystematic English way of looking at such things, it might be sufficient to show, as I have endeavoured to do in the above remarks, that in the three largest and most populous divisions of the empire, and in the only three in which there is any considerable European element in the population, experience is all in favour of Councils. Much was done for the good government of Bengal while the early Governors General had a Council which took part in its Government, while the administration of Bengal has undoubtedly been unfortunate since it has been confided to the hands of a single man. On the other hand, Madras and Bombay have had a fairly good and progressive Government with the aid of a Council, and I believe most men who have had experience in the Government of either Presidency would consider any proposal to administer either of them through the agency of an autocratic governor, as simply absurd.

But so much has been said, and by such high authorities, on the other side, that it is necessary briefly to examine the arguments for and against Councils in general.

In the first place, the argument from experience may be challenged, and it may be said that we have experience of very excellent administrations without Councils, in the Punjab and in the North-West Provinces, in Oude, in the Central Provinces, and in Burmah.

I have already admitted that, in a newly conquered province, this autocratic form of administration is probably, for some years after the conquest, the best that can be devised ; but I submit that sufficient time has not elapsed in any of the divisions above specified to enable us to say that the quasi-autocratic form of Government is, as a permanent form, better suited for those provinces than the form which has given many generations of fairly good government in Madras and Bombay.

It may be said that the North-West Provinces are an exception, that they have been long enough in our possession to test this question, and that experience there is all in favour of an autocratic Lieutenant-Governor.

But I submit that some generations must elapse before it can be said that experience in the North-Western Provinces can be received as proving that they might not have been much better governed under a more complex system, similar to that of Madras and Bombay.

One thing is clear from the example of the North-West Provinces, whatever the merits or defects of its form of Government, its example does not prove that a Government untrammelled by Councils gives any particular strength or vigour to the administration in the maintenance of public peace.

No administration could have been more surprised by rebellion, none could have been more powerless to arrest or confront it, than the Government of the North-West Provinces in 1857. This cannot be attributed to any want of ability in the Lieutenant Governor or his advisers, for they were all among the ablest in India, and I do not say that a Governor and Council would have done better ; but it cannot be said that the special form of Government in the North-West Provinces gave any sort of special facility in dealing with the rebellion, and it is at least open to argument that the complacent acquiescence in the personal views of the head of the Government, where there is no one in authority to discuss them as a colleague, was a fatal element in blinding the Government to the mine of popular discontent which so suddenly exploded.

There are two other remarks which I would make regarding the testimony for and against Councils :—

1. It must be borne in mind that it is almost impossible for our subjects in
0.81. India

India to tell what part of their bad or good government is due to its form. Hence the evidence is almost of necessity exclusively official, and official judgment on such a question is naturally opposed to any machinery for the discussion of measures. It is very rarely that a good and conscientious official can see in discussion any advantage to compensate for delay in the disposal of business. The ripening and perfection of a measure, on which its success and permanence must really rest, are little valued unless they occur in the regular course of official correspondence, and are never, in the purely official estimate of value, to be compared in importance with the clearance of the file.

2. It must be also remembered, that the negative evidence of a successful administrator, to the effect that he could manage very well without a Council, can rarely be held to be conclusive. The thoughtful consideration of any great question from various points of view, which constitutes the chief recommendation of discussion in Council, may be and is accomplished by many of our best Indian administrators without any formalities of an established assemblage. I could name many such men who, from their accessibility, and tact in eliciting opinions, would never be wrong as to the popular view of a question. Such men have their Council in every hunting field, and by the side of every village well, and to such men a formal Council may be a useless trammel; but such gifts as they possess are very rare, and I believe that, to a great majority of our administrators, the necessity for their consulting other opinions than their own is the only condition on which you can entrust them with great powers.

I believe that nothing is more erroneous than the popular notion, of a great autocratic administrator as a being able to enforce his own views when at variance with the common sense of those affected by them. Of course, a strong will is one essential element in the composition of any successful despot, in the East as well as in the West; but a sympathetic appreciation of what his people really in the long run desire, or will tolerate, is even still more needful; and I believe, in this respect, that Runjeet Singh, or Dost Mahomed, or Mehmet Ali, did not differ much from modern absolute rulers in Russia or in France, and that the real source of their power was the same as that which has been wielded in our own time and nearer our own country, and under a very different form of Government, by Bismark or Cavour.

We cannot be too observant of this seeming truism, for I know nothing more likely to be fatal to our rule in India than the autocracy of an able, well-intentioned man, who has not this peculiar aptitude for divining the wants and wishes of the people, and is not checked by colleagues who, to be of real use to him, must often be inferior in everything save the *vis inertiae*.

I hold it to be impossible that any single man, however able, accomplished, or experienced, should, without some sort of Council, successfully direct the Government of so large and so complicated a community as that of Bengal. We have no experience of such a Government continuing for two generations over such a country, in the past or present history of India, nor, as far as I know, in the history of any other country.

The advantages which I should expect in Bengal from such an organisation of the Government as exists in Madras are briefly these:—

1. Various interests would be better represented than at present. Experience shows us that no considerable interest can be entirely destitute of means of representation where the apparatus of Government is as large as that of Madras or Bombay; while it is equally certain, from experience, that very important interests may be quite unrepresented and ignored in the government of the ablest and most laborious Lieutenant Governor.

2. Measures would be better discussed. It is, of course, quite possible for a strong Lieutenant Governor to obtain much light in this way by inviting discussion; but, as a rule, men so situated do not invite, nor often tolerate, discussion if they can help it, and, as a rule, their measures are in consequence very imperfectly concocted.

Of course there are exceptions. A Lieutenant Governor may be a man of genius, and every man of great eminence in the public service is a sort of genius in some branch of his duties; but, taking the ordinary run of men and measures, the work of a Lieutenant Governor is generally, as far as my observation goes, so

deficient

deficient in those elements which full discussion imparts, as seriously to impair its lasting qualities.

3. The measures would be not only better matured, but they would have more stability, partly from their better intrinsic title to permanence, but more from the greater difficulty of wanton change under the more elaborate form of government.

There can be no doubt that the tendency to such change, which is one of the crying evils in our modern Indian system, is seen in its most aggravated form where the Government is autocratic.

Sometimes we see every Lieutenant Governor upset the favourite measures of his predecessor, almost as if it were a matter of course and conscience to do so. This is sometimes counteracted by securing a succession of men of the same views or school of administration, or personal friends of their predecessors. But there are always objections to this course, which is sometimes inconsistent with the selection of the ablest man, and the administration of a series of Lieutenant Governors or Chief Commissioners is certainly never so consistent or stable, as that of such Governments as Madras and Bombay.

4. The Government would carry infinitely more weight and be more respected. I have seen this proved both positively and negatively.

In an up-country community, where the civil and non-official European community bears a very small proportion to the military and official, it is quite possible for personal ability and excellence to secure for the possessor a fair share of popular respect; but this is not the case in a community so large, so varied, or containing such a preponderating non-official element as that of Bengal. Any man who has lived long enough in India to have a chance of success as autocratic Lieutenant Governor of Bengal, must have weak points in his armour, and they must be well known to the community over which he presides. This knowledge is fatal to his enjoying the sort of public respect which even a very inferior man commands as Governor at the head of a full Government like that of Madras and Bombay, and the defect must seriously impair his utility and efficiency as a ruler.

5. It would be possible for an able, well-intentioned, and industrious man, with such aid as the Governor of Madras has, to govern Bengal, which I hold to be quite an impossible task for any human being, either under the present system or with the changes advocated by the majority of our Council.

For all these reasons, I would recommend that the Government of India should be requested to submit a project for remodelling the Government of Bengal as nearly as possible on the footing of the Government of Madras, the cost of which should be regarded as a general guide in drawing up the scheme for the Council and Secretariat of Bengal.

There will, of course, for the present, be no provision for a Commander in Chief as a member of the Council of the Governor of Bengal. Besides his weight in his own particular province as a military authority, the Commander in Chief generally is a valuable addition to the Council in other ways. He generally is apt to side with the Governor if he can, and to support his authority, and he looks at questions, if not from an English, at least not from a civilian point of view.

Perhaps the best substitute for a Commander in Chief in a Bengal Council would be either an engineer member to have charge of railway and public works questions, or the Advocate General as a legal member. I believe, if both were in Council with two civilian members, the Government would be a strong and useful one.

I will now notice the other questions on which the Secretary of State's memorandum calls for our opinion. On the first question my opinion is stated above.

(2.) As regards Assam, I would at once authorise its administration being organised as a chief commissionership under the Government of Bengal, and I would place under the Chief Commissioner of Assam all those districts where the prevalent dialect is one of the Indo-Chinese or monosyllabic languages.

I would retain Behar under Bengal. It may be a question whether it would not be well to form it into another chief commissionership with the addition of the Sontal country and Chota Nagpoor; but this question may await further

consideration by the Government of Bengal. I would certainly not transfer Behar to the North-West Provinces, which are already too large for their present form of government.

(3.) I would abolish the Board of Revenue, and have a single Financial Commissioner instead. He might with advantage be a member of the Governor's Council.

(4.) The Secretariat should be at least as large as that of Madras.

(5.) As regards the subdivision of districts, I would await the result of a careful consideration of the subject by the Bengal Government. I would aid their deliberations by allowing them to employ a Commission composed of men who are practically acquainted with district work, not only in Bengal, but in Madras, Bombay, the Punjab, and North-West Provinces, and who should be allowed to travel so as to judge on the spot of the effects of different systems in different parts of India. To practical men, four months' travel would be quite sufficient to enable them to see all that was required.

It is probable that the report of such a Commission might be found very valuable in revising the system in other parts of India besides Bengal.

(6.) I would keep the offices of judge and magistrate separate, equalizing their salaries so as to allow of a young officer electing for either executive or judicial duties before he becomes head of an office, and I would, when the election has once been made, not allow any transfer from the executive to the judicial branch, except under very special circumstances. I would not be equally strict in preventing transfers from the judicial to the executive branch, which may often be desirable for reasons of public convenience.

(7.) I would call on the Government of Bengal, as soon as it has been reconstituted, to report what measures can be taken to attach magistrates for a longer time to their districts. I believe it is a matter which must to a great extent be left to the discretion of the local government; but an effectual remedy may, if necessary, be found in permitting the salary of the lower ranks of the service to depend on an officer's standing in the service, so that, for instance, the pay of every officer under the rank of a permanently appointed magistrate should depend on his standing. This would eliminate one great cause of the present frequent changes, but it would not entirely prevent them.

(8.) As regards changes in the Police and Customs Department, I would await suggestions from the Bengal Government.

On the other heads of the Memorandum, I hope to write separately, merely repeating the opinion I have already expressed, that the measures I have recommended for strengthening the Government of Bengal in no way, in my opinion, affect the Government of India or its seat of Government, further than they will, I hope, render it more possible for the Governor General and his Council to attend to the really Imperial interests of India.

2nd December 1867.

H. B. E. Frere.

APPENDIX.

MEMORANDUM by Mr. *Hornidge*.

THE earliest dates from which the growth of the revenues and trade of India can be shown, in any detail, are 1792-93, as regards revenue; 1795-96, as to shipping; and 1802-3, imports and exports.

It was hoped that some information might have been obtained from the five Reports of the Select Committee on Indian Affairs, 1808 to 1812, but beyond a statement of the revenues of Bengal, "as found established in 1765, at the moment of the territorial acquisition made by the Company," and of the revenue "as actually realized by the Company in 1784," nothing bearing on the present inquiry appears.

A volume, containing "heads of Mr. Dundas's speeches in the House of Commons, on the finances of the East India Company in each year from 1788 to 1799," gives the totals of the revenues of India, and of the several Presidencies, from 1785-86, seven years earlier than the detailed statement prepared in this Department, and printed by the House of Commons in 1855.

The growth, both of the revenues and trade of India, since 1840, is set forth in the "Statistical Abstract relating to British India," presented to Parliament at the beginning of the present year.

				£
The receipts in Bengal for	1785-86	-	-	4,989,178
"	"	1787-88	-	5,182,711
"	"	1792-93	-	5,512,761
"	"	1813-14	-	11,172,461
"	"	1855-56*	-	19,279,436
"	"	1865-66*	-	21,181,508
Ditto for whole of India for	1787-88	-	-	6,311,017
"	"	1792-93	-	8,225,628
"	"	1813-14	-	17,228,711
"	"	1855-56	-	30,817,528
"	"	1865-66	-	48,939,290

Anterior to 1765, the provinces of the East India Company in India arose principally from duties of customs, &c., and were comparatively trifling. In that year, by the grant of the Dewanny, they acquired considerable territorial possessions, whereby the revenues were greatly augmented.

ABSTRACT STATEMENT of Annual Revenue of the several Provinces comprised in the British Territorial Acquisition, in Hindostan in 1765 and 1784.

PROVINCES.	Gross and Net Revenue, as found established in 1765, or at the Moment of Territorial Acquisition made by the Company.			Gross and Net Revenue, as actually realized to the Company in 1784, after Nineteen Years' Financial Administration.		
	Gross Rent.	Charges of Management as then established.	Net Revenue.	Gross Rent.	Charges paid from the Treasury besides Sebundy, &c.	Net Rent.
	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>
Bengal: Dewanny land - -	2,29,21,097	3,35,822	2,25,85,275	1,37,20,683	47,75,284	89,45,399
Ceded land - - -	41,17,105	65,454	40,51,651	62,86,955	11,93,064	50,93,891
Salt land - - -	22,05,000	deducted.	22,05,000	54,50,000	19,50,000	35,00,000
TOTAL, Soubah - -	2,92,43,202	4,01,276	2,88,41,926	2,54,57,638	79,18,348	1,75,39,290
Behar: the Soubah - - -	84,85,856	10,72,030	73,63,826	53,33,492	9,50,745	43,82,747
Orissa: Midnapore - - -	14,33,657	2,75,010	11,58,647	8,73,355	2,10,000	6,63,355
Allahabad: Benares - - -	71,26,114	22,23,373	49,02,741	51,07,955	11,07,955	40,00,000
TOTAL, Bengal - -	4,62,38,829	39,71,689	4,22,67,140	3,67,72,440	1,01,87,048	2,65,85,392
Hyderabad: the five Northern Circars - - - -	78,93,243	19,68,000	59,25,243	74,62,468	25,68,000	48,94,468
TOTAL, British Territory -	5,91,32,072	59,39,689	4,81,92,383	4,42,34,908	1,27,55,048	3,14,79,860

* Including North-West Provinces, not separated in former years of comparison.

STATEMENT showing the Trade of India, from the earliest Date for which there are Official Records, comparatively with the Years 1855-56 and 1865-66.

YEARS.	Bengal.		Madras.		Bombay.		TOTAL.	
	Ships.	Tons.	Ships.	Tons.	Ships.	Tons.	Ships.	Tons.
1802-03 -	407	149,894	170	75,635	186	78,071	763	301,600
1855-56 -	4,161	1,842,975	12,053	1,263,834	21,479	1,099,397	37,693	4,206,206
1865-66 -	3,042	1,794,045	16,764	2,237,816	23,628	2,099,587	43,434	6,131,448

Note.—The above figures combine the shipping entered inwards and cleared outwards. The trade returns for British Burmah for 1865-66 have not been received, and are consequently not shown here.

The IMPORTS and EXPORTS of Merchandise and Treasure into and from India for the same Periods are shown as follows, exclusive of the Port to Port Trade.

YEARS.					Imports into			
					Bengal.	Madras.	Bombay.	TOTAL.
					£.	£.	£.	£.
1802-3 - - - -					2,251,808	950,003	1,241,469	4,443,280
1855-56 - - - -					13,338,550	2,201,873	9,704,359	25,244,782
1865-66 - - - -					20,700,324	4,494,265	30,086,142	55,280,731

YEARS.					Exports from			
					Bengal.	Madras.	Bombay.	TOTAL.
					£.	£.	£.	£.
1802-3 - - - -					3,151,759	463,416	1,199,246	4,814,421
1855-56 - - - -					13,049,336	2,035,230	8,554,869	23,639,435
1865-66 - - - -					20,196,481	7,769,015	36,865,457	64,830,953

STATEMENT showing the Trade of Calcutta.

YEARS.					Entered Inward.		Cleared Outward.		TOTAL.	
					Ships.	Tons.	Ships.	Tons.	Ships.	Tons.
1795-96 - - -					170	57,696	184	67,785	354	125,481
1812-13 - - -					226	84,228	231	85,612	457	169,840
1855-56 - - -					1,212	658,373	1,201	649,019	2,413	1,307,392
1865-66 - - -					1,089	801,170	1,120	854,440	2,209	1,655,610

IMPORTS and EXPORTS into and from the Port of Calcutta with all Foreign and external Ports and all Ports in India.

YEARS.					Imports.	Exports.
					£.	£.
1795-96 - - -					974,258	1,932,494
1814-15 - - -					2,058,461	2,789,016
1855-56 - - -					14,114,358	12,563,250
1865-66 - - -					22,971,811	28,928,133

— No. 9. —

MEMORANDUM by Mr. Maine.

THE Secretary of State for India has done me the honour of requesting my views on the recommendations of the Special Committee of his Council, appointed to consider the best means of improving the Government of Bengal. From many of the conclusions of the Committee, and especially from those which relate to the Government of India, I am compelled to dissent, and in doing so I am sensible of the disadvantage under which I am placed by the authority justly attached to the names of the gentlemen who have signed the report. At the same time, this disadvantage would be heavier than it is, if I did not feel that, in differing from the majority of the Committee, I am defending the policy of the present Governor General at a point at which I have reason to believe that Sir John Lawrence considers that policy to be eminently defensible.

The plan of the Special Committee is, substantially, to prevent by legislative enactment the Government of India, or, at all events, the Governor General's Council, from ever leaving Calcutta, and to commit to it a part of the duties now devolving on the Lieutenant Governor of Bengal. I venture to think that this plan, if carried into effect, would put an end to an experiment which has perfectly succeeded, for the sake of trying another experiment which has very doubtful chances of success.

The observation of the Committee, that the annual transfer of the Government to Simla is of very recent growth, is calculated, unless qualified and explained, to produce false impressions. The system under which various high functionaries in India have placed themselves during the worst months of the year at the healthiest locality within the circle of their duties, is not only not new, but, as time is counted in India, is even old. Ever since the Punjab became a province of British India, its Government has passed the hot season at one or other of its hill stations; and the same practice has been followed by such Commissioners of the Punjab and North-Western Provinces as have hill stations within their divisions. It is now some years since the Government of the North-Western Provinces began to pass the hot season at Nynsee Tal. The Government of Bombay has long placed itself during the hot months at Mahableschwur, and during the rainy season in the medium climate of Poonah. I am less accurately informed respecting the Government of Madras, but, if I am not mistaken, the Governor and one or more members of his Council, are generally either at Otacamund or at Bangalore during a part of the year. In fact, the only exceptions to the rule, as applied by the local Governments, have occurred in the case of the Chief Commissioners of Oudh, Burmah, and the Central Provinces, who have no hill station in their territories, and in that of the Lieutenant Governor of Bengal (though here the exception is only partial), who can only resort to the singularly inaccessible hill station of Darjeeling.

Now, all these Governments, thus migrating periodically to healthier districts, are Governments directly administering the territories subject to them, and directly in contact with the people. Any objections which apply to the removal of the Government of India apply with manifold greater force to their migration. Their subordinates must have been long since discontented, and their Native staff disgusted. The miscarriages of administration which result from the resort of superior officers to better climates for a few months must have long since obtruded themselves upon public attention. Is this so? Are not some of the most successful Governments in India among those which have husbanded health and nerve by the practice now condemned?

The Government of India, which is only a controlling and superintending Government, and which has few direct relations or none with the people, and which, therefore, might be supposed, *a priori*, to be in a position to adopt the practice first, was, in point of fact, the last to adopt it. The reason, no doubt, is, that the residence of the Supreme Government during the whole year in the plains has long since become a fiction. The Governor General constantly absented himself from Calcutta, on the plea that it was necessary for him to be nearer to the parts of India which demand the close attention of the Supreme Government. But the Government of India was still supposed to remain in Calcutta, because the Governor General's Council remained there, under a president invested

theoretically with the full powers of Governor General in Council. In point of fact, however, a division of business was made between the Governor General in the Upper Provinces and the President in Council at Calcutta, on the principle of leaving to the latter all business which was of a simple, routine, and common-place character. Everything which was of importance was referred directly to the Governor General, and there was either a rule or an understanding if any matter which came before the President in Council assumed, contrary to expectation, the least importance, it should be sent on to the Governor General.

When Sir John Lawrence, shortly after reaching India, determined not to spend the worst month of the year in Calcutta, the truth is imperfectly stated by saying that he adopted a practice which had become habitual with Governors General. It should be taken into account that he began to act upon a system of economising physical and mental energy which he had seen at work in the Punjab, and to which, among other causes, the remarkable success of the Punjab administration is, no doubt, attributable. If, indeed, he had done no more than this, it is probable that his proceedings would never have been adversely criticised; but he went a step further, and, in exercise of the power conferred on him by Parliament, he summoned his Council to accompany him to the Upper Provinces and Simla. I venture to assert that, in taking this step, he evinced his customary sagacity and perspicacity. He put an end to a costly and mischievous fiction, and he also restored a reality.

This language may appear too strong to those who are unaware of the change which has taken place of late in the character of the Governor General's Council. That Council is no longer mainly a Council of Advisers. It has become an aggregate of heads of departments, and it resumes its former consultative function only in special cases. The law, in effect, permits the Governor General and any one member of Council to make an order in the name of the Government of India, and it further allows the Governor General to distribute the business of the Government as he may think fit. These provisions enabled Lord Canning to establish a system under which the Government work is divided between departments, each of which has a member of Council at its head. The order of Government is, in each case, suggested by the member of Council charged with the particular department to which the case belongs, and, if confirmed by the Governor General, it issues at once. The cases submitted to the full Council are only those of special importance, or those in which the Governor General differs from the initiating member. The necessity for the new system grew out of the enormously increased (and, I may add, daily increasing,) business of the Government of India, which, without some such arrangement, could never be disposed of at all. It was further rendered inevitable by the addition to the Council of two English members, specially appointed to discharge certain duties which they could only perform in the capacity of heads of departments.

Except, therefore, in regard to matters belonging to the Foreign Department, of which it is usual for the Governor General himself to undertake the primary management, the severance of the Governor General from the Council dislocates the whole machinery of Government. An anomalous form of the old and exploded system is immediately re-established. I was myself in Calcutta, as a Member of Council, during the absence of Lord Elgin in the Upper Provinces, in the summer of 1863. I believe it to be impossible for any human arrangement to have worked more perversely. Lord Elgin was distinguished by remarkable caution,—though I doubt whether his caution was practically greater than that which any man comparatively fresh from England would display under similarly vast responsibilities,—and all or most important matters were transmitted by him over a distance of 1,500 miles for the opinion of his Council. The result was that a great deal of work was done twice over, and a great deal not done at all. I confidently appeal to the records of the India Office for proof of the value of the new system, as contrasted with the old. For the first time, during any period of its history which I have been able to trace, the Government of India is abreast of its work and without arrears, and this too in face of an extraordinary increase of business during the present Governor Generalship. This result is, no doubt, partly owing to the laborious habits of Sir John Lawrence, and to his great knowledge of India. It is also partly attributable to the circumstance that nearly all the functionaries attached to the Supreme Government enjoy a fairly good climate during those months in which, according to my experience, the machine of Government in the climate of Calcutta works at half power. But
it

it would certainly have never been attained unless the Governor General had determined not to separate himself from his heads of Departments and occasional advisers. It is certainly true, that few Governors General could so well dispense with advice or assistance as the present Viceroy; but, to take an illustration, how could even he, in a large number of cases, have made orders, without, in the first place, assuring himself what was the legal form and bearing of the order, and, in the next, what it would cost. In other words, had he been separated from his Council, he must have made a variety of references to the legal and financial Members of his Council, who, by the assumption, would have been at Calcutta.

I submit, then that, when Sir John Lawrence removed his Council to the Upper Provinces, he merely destroyed a fiction which threatened to impair seriously the efficiency of his Government, though it may have replaced what once was perhaps a reality. I submit further, that he restored a reality. It is not to be supposed that when the English noblemen, who till lately occupied the Governor Generalship, discharged the most important functions of the Government of India at some point in the Upper Provinces, they acted wholly without advice. They were in fact advised by their secretaries. But the Members of Council have now taken the place of the former secretaries, though their responsibility is more distinct, and their powers somewhat larger.

These arguments would be met at once if it were said, though I do not understand the Committee to say it, that the object of these proposals is to keep the complete Government of India, that is, the Governor General as well as his Council, at Calcutta. And here I admit most fully that, if it can be shown that the interest or safety of the British Indian Empire requires that the Government of India be conducted on the banks of the Hooghly, all questions of climate disappear. It may be unfortunate that work so serious and so arduous has to be transacted at a place condemned, in point of salubrity, by so great a concurrence of European and Native testimony. But everything is to be preferred to miscarriages of policy or administration. It is certain, moreover, that certain functionaries, such as the judges of High Court and the gentlemen attached to the Government of Bengal, must always share with the non-official community the disadvantages of Calcutta. I am not aware on what evidence the assertion of the improved salubrity of Calcutta rests, but it is true that its unhealthiness will have much less fatal consequences when a railway connects it with the foot of the hills near Darjeeling. I will add, in passing, that, considering the great mass of Europeans collected in Calcutta, the delay in the construction, or rather the completion, of this railway seems to be a legitimate ground of complaint.

But I cannot allow it to be necessary or expedient that the business of the Supreme Government should be transacted at Calcutta during more than a comparatively small portion of the year.

The one great advantage of Calcutta, which, no doubt, it shares with Bombay, consists in its European public opinion. That opinion occasionally assumes forms which do not admit of defence, but the Supreme Government, if entirely withdrawn from its influence, would, in my judgment, sacrifice a material safeguard against error. But we must be careful to understand what is meant by European public opinion. The non-official European community in India consists of extremely busy men, and there is not, as in England, a class which has leisure enough to make politics its special study. On all questions which arise on subjects analogous to those on which European gentlemen habitually employ themselves their opinions possess very great value. On the fiscal and financial questions with which it has to deal, the Supreme Government is most usefully assisted by the public opinion of Calcutta, and so also on all legal questions. It would, in my view, be a great misfortune if financial legislation, or legislation giving sanction to the material provisions of the new codes, were carried on at a distance from the Presidency towns. But I have never observed that questions of the good government of the North-West, the Punjab, the Central Provinces, or Oudh, attract much interest in Calcutta; and, though doubtless valuable opinions on these questions may from time to time be read in the newspapers, these are the views of intelligent and observant individuals, and cannot in any reasonable way be identified with the public opinion of a community or class.

When I have admitted the importance of the mercantile and legal opinion of Calcutta, and have stated that the public offices there, though not good, are somewhat better than those obtainable at Simla, I believe I have summed up its advantages. On the military importance which is sometimes supposed to belong to it,

and to make it peculiarly fit to be the residence of the Supreme Government, it would be foolish in me to offer an opinion; but it is to be remembered that, if nothing more is intended than the restoration of the system of five or six years since, the military importance of Calcutta has to be maintained in the teeth of the fact that the Commander-in-Chief was practically never there, and the Governor General as little as he could help. Yet surely these are the two members of Government whose presence is imperatively required at the place most important in a military crisis.

The heavy disadvantages of Calcutta, considered as the permanent seat of a Government whose principal employment must always be the watching and controlling parts of India which are far away from Bengal, and wholly unlike it, have now to be stated. It has always seemed to me that the peculiar badness of the climate of Calcutta has been rather favourable than otherwise to its pretensions, since it has drawn away attention from far more serious objections.

I place first among those disadvantages the fact that everything in Bengal is wholly uncharacteristic of the rest of India. I do not lay any stress on the Permanent Settlement, for doubtless I might be answered that it would be a good thing if the Bengal Permanent Settlement were extended over the whole country. But surely it is a fact of primary importance that the fundamental institution of India, the village community, is almost entirely broken up in Bengal Proper, and never existed at all in the Indo-Chinese territories abutting on it. It is also beyond doubt that both the best and the worst qualities of the Bengalees make them a people by themselves. They are very receptive of foreign ideas, comparatively little sensitive to attacks on their religion, remarkably alive to the advantages of education, and wonderfully well versed in law, and keenly conscious of their legal rights; on the other hand they are wholly unwarlike, all but incapable of physical resistance, and less industrious and less veracious than the population of the rest of the country. The greatest mistakes which the British Government in India has committed were, in my judgment, committed under the influence of the Native opinion which is the product of these peculiarities of character. For it may be asserted, though, of course, I myself only assert it on the authority of persons infinitely better able than I am to form such conclusions, that if the propositions I have laid down respecting the Bengalees were reversed, and if a negative were inserted in each of them, the true character of the remainder of the natives of India would be expressed with tolerable accuracy. If the entire Government of India remains at Calcutta, it will nearly always consist, we must remember, of four Englishmen trained in England, and of three members of the Civil and Military service, of whom two will generally be civilians acclimatized, and therefore, proof against the Bengal climate, but with little experience beyond Bengal or even Calcutta. I can scarcely conceive delusions more fatal than those which the associations of Bengal Proper are likely to produce in the mind of a Government thus constituted.

It may be said, however, that as Calcutta is now accessible by railway from almost all India, the presence of natives of rank from other provinces will neutralise the effect of the local opinion of Bengal. But here I have to call attention to a fact which has lately obtruded itself on our attention, but which may have been masked until recently, through the inaccessibility of Calcutta other wise than by a mode of approach unavailable to most natives. Whether the opinion of the unhealthiness of Calcutta which prevails among Englishmen be or be not reasonable, it is quite certain that it prevails in a far more decided form among all natives, not Bengalees. In them, dislike of the Calcutta climate amounts to positive terror. We have found that, through this feeling alone, so much of the experiment begun under the India Councils Act of 1861 as consists in bringing natives of rank into the Legislative Council has practically failed. We either cannot get or cannot keep the men we want. After stating this fact, I do not really know whether it is necessary to add anything to the case against Calcutta. What worse can be said of a city, claiming to be a capital, than that the vast majority of those who are to be ruled from it will not approach it, if they can find a pretext for staying away, and, if forced to come, will get away as soon as possible?

The special committee have asserted that, in departing from Calcutta, the Government deprives itself of the advantages of contact with a mass of official ability collected in Calcutta. I confess I do not understand the observation. Nobody can have a greater respect than I for the judges of the High Court, and the members of the Bengal Secretariat, who are apparently the functionaries
referred

referred to, but I venture to think that the official staff of the Supreme Government, which it now, by the assumption, carries with it to the Upper Provinces, ought to be taken into account. But, beyond this, I do not hesitate to assert that more Indian officials, and those, too, from the provinces which claim the especial care of the Supreme Government, are to be met with in Simla in a fortnight than in Calcutta in six months. This, I submit, is the natural result of the difference between a place which everybody will visit if he can, and a place which nobody will visit if he can help.

The Committee have also remarked that the climate of Simla is hateful to the Native officials who accompany the Government to the hills. I venture to ask, on what evidence this proposition rests. I attach no especial importance to the fact that I myself, and other members of the Government, have put the question to the Native clerks, and have received the directly contrary answer, for doubtless it could be said that, under such circumstances, the only reply to be expected would be one agreeable to the questioner. But it is very significant that the Native newspapers of Calcutta, which strongly object to the migration of the Supreme Government, as being detrimental to the interests of Calcutta, have never, according to my observation, hit upon this particular grievance, though the Native clerks are almost all Bengalees, and much connected with the Bengalee press. In fact, the Native newspapers write as if the movement to Simla was, on the part of everybody concerned in it, an excessive sacrifice to luxury. The true state of Native opinion with regard to those cooler stations in the hills with which the natives have recently become acquainted, I believe to have been given by a colleague and friend of mine, Rajah Deo Narain Singh, of Benares, to whom I was lamenting the break-down of the native portion of the Legislative Council. He stated that, while the hill climates are disliked by poor natives, who can only command insufficient clothing and shelter, among natives of position and tolerable means,—with whom the Supreme Government comes mostly in contact,—these climates enjoy a reputation for salubrity at least equal to their character among Englishmen. This gentleman, with others, was most anxious that the Legislative Council should be held at Simla rather than Calcutta. And it is certain that the number of opulent natives who resort periodically to the hills is on the increase.

The Committee also comment on the discontent alleged to be produced in the minds of the officials left to work in the plains. I do not happen to have heard the observation made in India, and, if the fact be so, it must be of old date, considering the number of local governments who have, for many years, resorted to hill stations. As regards the Covenanted Civil Service, I should venture to suspect that, if the feeling exists, it is confined to the comparatively few functionaries who have risen to the top of a branch of their service which necessarily discharges its duties in some hotter climate. It is not very consistent with human nature that the bulk of the service should take this view. I can scarcely conceive a profession being discontented because some new element of value is added to its prizes. The members of my own profession would certainly never grumble if the judge's lodgings on circuit were rendered more commodious or salubrious, and the prospect open to a member of the Civil Service of succeeding to the Secretariat of the Government of India or the Council is decidedly better than the chance of any given barrister of succeeding to the Bench.

I do not think I am called upon to reply to the argument that the salaries of the Members of Council (I understand the Committee to exclude the Governor General) are given them to be spent in Calcutta. If this can be established of course those salaries should be reduced. But I doubt whether the members of Government who have families with them in India, and proportionate establishments, would allow that two houses are cheaper than one.

The question should not be decided by conjecture, as there are sufficient facts to decide it. After an experience of four years, the members of the Supreme Government are alive, which is something, and their work is in a more forward state than it ever was before. The Committee have observed that the extension of railway communication has rendered the local position of Calcutta unimportant. This observation seems to me to point to the truth respecting Simla. Simla and Calcutta are simply two Indian cities, of which each has its advantages and disadvantages. Calcutta has at present a slight, though only a very slight, advantage in point of accessibility; but when the railway is completed to Umballah, which it

very shortly will be, the advantage in accessibility from the greatest part of India, will be decidedly with Simla. Calcutta is protected by the sea, and by the unwelcome population surrounding it; Simla, by the great military station which I have just mentioned, which always contains European troops enough (to quote the opinion of a high military authority) to march not only from one end of India to another, but, if necessary, into Central Asia or Persia. Simla is much nearer to the real work of the Government of India than is Calcutta, and enjoys a climate much more favourable to European health and to official labour, but it is without the advantage of unofficial mercantile and legal opinion. The real question, I submit is, whether all advantages have not been combined by the system which Sir John Lawrence has inaugurated.

I am, however, very far from denying that the system might be improved. While I confidently maintain that all natives not born in Bengal would infinitely prefer coming to Simla than to Calcutta, and while I assert that the practice of visiting the hills for health is increasing among wealthy natives, I feel the full force of the objection, that neither Simla nor Calcutta attracts in sufficient numbers the natives of those provinces, for whose peace and good government the Government of India is likely for long to be held especially responsible. Assuming, therefore, the complete removal of the capital to be, for the present, out of the question, I take the liberty of calling attention to an experiment which Lord Elgin was on the point of trying when he was overtaken by death. A standing camp had been established in the neighbourhood of Lahore; and there Lord Elgin intended to assemble both the Executive and the Legislative Councils. I venture to suggest that, at the beginning of the cold season, such a camp should be prepared near each of the great native cities in turn; that the Supreme Government, descending from the hills somewhat sooner than at present, should be received in it, and should then proceed with such legislation as would more especially affect native interests, reserving for Calcutta, which would be visited afterwards, the discussion of the budget, and of such provisions of the codes as are intended for general application. Natives of India in any number would resort at that season to Lahore, Agra, Delhi, Lucknow, or Benares; and there could be no better opportunity for holding those congresses of Governors, Lieutenant Governors, and Chief Commissioners, which have been recommended by high authority as the best preservative against that inter-provincial friction, which has become so annoying of late years. The Supreme Government of India would thus become peripatetic. If it be objected that there is no example of such a government, I answer first, that the fact is not so, since almost all governments originating in the conquest of hot countries by persons born in a cooler climate have been, as a matter of history, more or less peripatetic, and that, even if the objection were well founded, the British Empire in India is too novel and extraordinary an experiment to be dependent on any precedent, except those which its own experience furnishes. I would ask whether such a system as I have described would, in truth, be more than an adaptation of the old progresses of the Governor General to the circumstances and condition of the India of the present day.

If these arguments should not prevail, and if the Secretary of State should be of the Committee's opinion, that the Governor General need not necessarily remain during most of the year at Calcutta, but that, on the other hand, a part of the business of the Government of India should always be transacted in that city, I would suggest that much the best plan would be to enable the Government of India to delegate certain of its functions to some one of its members, not being the Governor General. The duties allotted to the President in Council are eminently of a kind best discharged by a single individual, and not a body of five or six persons. They are mostly, as I have explained, of a simple and commonplace character, and there is an understanding that all questions incidentally assuming importance shall be referred to the Governor General. A council rather embarrasses than expedites the transaction of this sort of business. Its proper place is in assisting the Governor General to dispose of difficult and important questions, not in helping the President to get through matters which are comparatively easy and immaterial. Any other view seems to me to lead to the conclusion that the Council ought to be abolished.

The plan of the committee, so far as it proposes to compel a part of the business of the Supreme Government to be discharged at Calcutta, would certainly
effect

effect its object ; but I may be permitted to doubt whether it would in any way relieve the Lieutenant Governor of Bengal.

It is quite true that the questions arising out of the interests and claims of the European merchants and settlers in Bengal are among the most important and difficult of those which have to be dealt with in India. It is true, also, that large numbers of these merchants and settlers are more or less connected with Calcutta, either by living there, by having their place of business there, by frequently resorting thither, or by having relations with a Calcutta agent or principal. But it is not true that the questions of which I have admitted the difficulties arise in Calcutta itself, or have anything to do with Calcutta itself, which is sufficiently well managed, judicially and administratively, by the High Court, the magistrates, and the municipality. These questions have nearly exclusive reference to matters of which the Province of Bengal, outside Calcutta, is the theatre. Questions of contract, questions of tenure, questions of coolie employment and emigration, questions of public works and reclamation, are not Calcutta, but Mofussil questions. As I understand the plan of the committee, the persons of the Europeans are to be under the Government of India ; but their interests, and the superintendence of all matters with which they are concerned, are to be in the charge of the Lieutenant Governor of Bengal. This, at least, is the meaning which I attach to a proposal for separating the city of Calcutta from the jurisdiction of the Lieutenant Governor, and committing it to the Government of India.

At present all Bengal questions, and far the most difficult, and probably the most numerous of these are questions in which Europeans are concerned, are, in the first instance, disposed of by the Lieutenant Governor. They then come before the Government of India, either on the call of that Government, or on reference by the Lieutenant Governor, or on the complaint of persons or bodies alleging themselves to be aggrieved. The Supreme Government, therefore, occupies, so to speak, the position of an appellate judge, and in that capacity decides these questions so far as they admit of final decision. But, under the system of the committee, as I interpret it, a European aggrieved will first complain to the Supreme Government, which will then address the Lieutenant Governor. and a long correspondence will ensue. While both Governments will thus, as it seems to me, be placed in a false position, it appears quite impossible that the work of either of them will be diminished. The Government of India will be forced to go into the details of many matters which at present never proceed beyond the Lieutenant Governor ; and the Lieutenant Governor, without having his responsibilities a whit diminished, will be compelled to enter into premature explanations.

A more serious result of placing the persons of the European community under the Supreme Government, while their interests remain under the Lieutenant Governor, will be the moral effect on the Government of India. It will become thoroughly mixed up with local Bengal questions, which are, unhappily, questions for the most part between the races, and thus it is far from unlikely that it will become a violent partizan either of European or of Native interests, and will entirely cease to be animated by the wholesome spirit of compromise and mediation. It may be taken, too, as certain that impatience of the control of the Government of India will be greatly increased in the Southern and Western Presidencies. The Government of India grew, historically, out of the supremacy of one province over the other ; and in Madras and Bombay every unpalatable order is still stigmatized as a piece of Bengal tyranny. Under the new system, there would be real reason for suspecting that the whole action of the Supreme Government was coloured by Bengal prejudices.

There would be much difficulty, though not perhaps insuperable difficulty, in severing Calcutta from the province of Bengal. The Supreme Government has no agency for direct administration in regulation Provinces, and a miniature covenanted, uncovenanted, and educational service would have to be created for Calcutta, whose relation to the Bengal services it would be by no means easy to settle. Again, what is Calcutta ? Is it confined to the space within the "Mahratta Ditch ?" If it is, the large neighbourhoods growing up round the great railway termini at Howrah and Sealdah will be excluded, as also will be the wealthy and populous suburbs of Ballygunge and Garden Reach. If these be included, the very serious step of extending the limits of the ordinary original jurisdiction of the High Court will have to be taken, and even then

the large class of European gentlemen who live at a distance from Calcutta, and come in to business by the railway, will have to be provided for. In short, even if the scheme of the committee be founded on sound policy, it will be hardly possible to give effect to it by any expedient short of giving the Government of India an administrative authority over all Europeans in Bengal, of the same kind as the criminal jurisdiction of the High Court over their persons.

If the principal recommendation of the special committee prevails, I have no objection to state to their minor suggestions. But, if this recommendation be not accepted, I venture to urge the serious consideration of the expediency of establishing a full Government in Bengal, like that of Madras and Bombay. If there be one province fitter than another for such a Government, it seems to me to be Bengal Proper, severed as it is from the rest of India by the character of the races inhabiting it, by its peculiar revenue settlement, and by its special material interests.

A full Government means a Governor in Council, who, as the law stands, may be substituted for the Lieutenant Governor at any moment by the Secretary of State. But, to meet the possible objection that an active administrator might be embarrassed by a Council, I would settle legislatively the relations of the Governors of the minor Presidencies to their Councils, which relations appear to me, in the present state of the law, to be very indeterminate.

I am bound to state my impression that Sir John Lawrence has doubts of the expediency of establishing a full Government in Bengal, and I do not think I misrepresent the ground of his doubts by describing it as follows. The Governor General has observed a tendency in English opinion to hold the Government of India responsible for miscarriages of administration on the part of local Governments, to a much greater extent than was at all suspected in India. He doubts whether he could exercise the authority, which ought to be co-extensive with his responsibility, over a Governor, who may be an English nobleman, and who will have a Council at his back, as easily as over a Lieutenant Governor.

The fact that English opinion does not coincide with Indian views as to the relative responsibilities of the Supreme and local Governments seems to me unquestionable. Nothing has struck me more forcibly during my present residence in England. While we in India are apt to confound Governorships, Lieutenant Governorships, and even Chief Commissionerships, under the common name of local Governments, public opinion here, while it recognises the Governor General and the Governors, knows nothing whatever of Lieutenant Governors, of chief commissioners, and of councils. It understands the responsibility of Governors for their provinces, but for all else there is a tendency to hold the Governor General responsible.

It seems to me urgently necessary to bring Government in India more and more into harmony with that English opinion which is more and more daily exercising influence over it. But, if there is one thing more certain than another, it is that the Government of India cannot undertake to superintend in detail the administration of Bengal Proper. There is a limit to the capacity of the human brain, and all the power of mind at the command of the Supreme Government is required for its present duties. This being so, the best plan seems to me not to accept a responsibility which would break us down, but to get rid of much of that responsibility by subjecting Bengal Proper to a Governor in Council. The responsibility of the Government of India for Bengal will then be understood in England to be general and remote, and English opinion will thus be in harmony with a state of facts which, whatever view be taken of it, is really inevitable.

If Bengal be constituted a full Government, the type to which the Government of Assam (which is undoubtedly entitled to a more independent administration) would, I presume, be assimilated, is rather Scinde, than Burmah or Oudh. It would be well, perhaps, to make a similar change in Orissa; but that province, in my judgment, should, to use a convenient Indian term, be "deregulationised."

Mr. Arbuthnot, in the paper in which he expresses his dissent from the recommendation of the committee, and to which Sir Bartle Frere adheres, has made a suggestion of very great importance respecting the relation of the Supreme Indian Legislature to the local councils. But so many serious questions arise in

in connection with legislation and legislative power in India, that I hesitate to enter upon them, after discussing questions of another class at such great length. If the Secretary of State so desires, I will address myself to them in a separate memorandum. It will be inferred from my remarks above, that I am entirely against abolishing the Bengal Legislative Council, and confounding it with the Supreme Legislature. Such a measure would complete the entanglement of the Supreme Government with the local controversies of Bengal, and give the special opinions of Bengal a very dangerous influence over the rest of India.

(signed) *H. S. Maine.*

London, 2 December 1867.

— No. 10. —

(Public, No. 10.)

To His Excellency the Right Honourable the Governor General of India
in Council.

Sir,

India Office, London, 16th January 1868.

Para. 1. Your Excellency is aware that, owing to various circumstances, the attention of Her Majesty's Government has been lately directed to the working of the machinery of administration in the Presidency of Bengal. The increase of commerce, of European settlement, and of internal communication, would of themselves have sufficed to render it necessary to consider whether that machinery did not require expansion and amelioration in details. The condition, also, of the outlying portions of the Presidency which are not comprehended within the old limits of Bengal and Bahar, and the greatly augmented demands which these appear now to make on the time and labour of those concerned in its Government, seem to render it doubtful whether some separate provision is not required for their proper administration. Nor will I deny that the lamentable occurrences which have so recently taken place in Orissa, and the evidence furnished by the important report of the Famine Commission, as to the defects of our system when exposed to the ordeal of a serious emergency, have materially contributed to my anxiety to see these questions brought into a course of settlement.

2. It being my object, at present, rather to obtain the opinions of your Excellency and of those who are charged with the administration of India, and especially of Bengal, than to lay down views of my own, I will state to you, in the most general terms, some of the suggestions on this subject which have occurred to myself, or have been urged on me by persons whose authority is entitled to respect, and I will then proceed to ask you to take into your consideration in detail certain questions founded on these suggestions, and to report to me your opinion respecting them as early as you conveniently can.

3. It is thought by some that the Government of Bengal would be materially strengthened if it were placed on a footing similar to those of the Presidencies of Madras and Bombay. It is urged by those who take this view, that a Lieutenant Governor, acting by himself, cannot effectively superintend the executive administration of a country exceeding most independent sovereignties of the world in extent and in population, and presenting many diversified features, both socially and politically. It is said too, with reference to the connection at present subsisting between the Presidency Government and the Supreme Government of India, that while, on the one hand, the interests of Bengal are extensive and varied enough to give it a claim to as complete a form of government as it can obtain with due subordination to the central authority, it is, on the other hand, desirable to relieve the Government of India as far as possible from the burden of local administration, and from a responsibility in respect of the conduct of local affairs, which it is inconvenient that it should bear. It is also a serious question, from an imperial point of view, how far the identification of the Supreme Government with that of a particular Presidency, which, under the present arrangement, seems to a great extent inevitable, is consistent with the proper discharge of its duties to the whole of India.

4. To the objections of those who reply that the inadequacy complained of may be remedied by merely giving the Lieutenant Governor additional administrative strength, through the increase of his secretaries and similar minor measures the answer made is, that these improvements of detail will by no means supply the want of a council on the old and well-known Indian model, which has subsisted for so many years in the Supreme Government, and in those of the Presidencies, with general success, giving the Chief the advantage at once of strong executive help, and of a body adding to his authority, and affording him the advantage of a full and independent discussion of his measures.

5. Objections of a different class are, however, suggested by others against the establishment of a Governor and Council in Bengal. They are, doubtless, familiar to you. I will only direct your attention to one which has been especially urged on myself. It is contended that the existence in Bengal of a separate Government of this description is incompatible (for useful purposes) with the presence of the Supreme Government at Calcutta. It is thought that even the existing system, under which two legislative bodies sit in the same place, and have jurisdiction (with some exceptions) over the same class of subjects, is anomalous, and, to some extent, mischievous; but that such anomaly and mischief would be greatly increased by the establishment of the more complete form above indicated. I assume, of course, that the Governor and Council of Bengal would sit at Calcutta.

6. Calcutta is now the recognised capital of India; but in practice it is the seat of the Supreme Government for only half the year, for the Governor General has recently abandoned the custom of paying cursory visits, as formerly, to other parts of Her Majesty's dominions in India, leaving the Council under its President at Calcutta, and has substituted that of taking his Council with him to Simla, which has now become almost an alternative metropolis.

7. It is alleged by some, that serious inconveniences have been the results of the establishment of this system, though others have pointed out advantages which are said to more than counterbalance them; and have argued that the present plan is decidedly superior to that for which it has been substituted. Upon this question I do not desire now to express any opinion. I only advert to the point, because the relations of Bengal to the Supreme Government must be materially affected by the arrangement which may ultimately be thought best with regard to the seat of the latter authority.

8. The alternatives for it would appear to be these. Either that Calcutta should remain the capital of India, and that the Council should have its stationary headquarters there, leaving the Governor General at liberty to visit other parts of India, either alone, or with a selected number of Council (a point to be hereafter considered), or that some new capital should be fixed on; or, lastly, that provision should be made for enabling the Governor General in Council to establish himself, from time to time, in such places and for such periods as he may consider the exigencies of his vast dominion to require. Upon this important question, I desire to receive your advice, and I request that you will consider it as well from an imperial point of view, and in its bearings on the general Government of India, as in relation to the effect it has upon the more limited question of the proper form of Government for Bengal.

9. To pass, in the next place, to a subject not immediately connected with that of the Government of Bengal, but so nearly akin that the one cannot be well considered without reference to the other, it is suggested that experience has shown that the distinction between regulation and non-regulation Provinces, such as existed before 1855, from which year the establishment of a complete Legislative Council for India may be said to date, ought to be for certain purposes revived. That there are portions of India far more advanced than others in respect of that kind of civilization which exhibits itself through the public mind accommodating itself to the usages of old and established Governments. That in outlying regions, either of recent acquisition or which are comparatively backward in such civilization, the method of making laws through a central Legislature, subject to the usual forms, is cumbrous and inapplicable. That such new laws as are necessary for the ordinary purposes of domestic administration are best made in these instances by the executive authority itself. It

is not, indeed, proposed to exempt such provinces from the general jurisdiction of the central Legislature altogether, but merely to enable the executive authority within them to make regulations having like force of law with its enactments.

10. The Punjab, Oudh, and the Central Provinces might be treated as non-regulation districts under the general Government. With respect to others (Assam, Burmah, Sind, and possibly Orissa, if it should be thought to require separation from Bengal proper), it may be a question whether they should be placed directly under the general Government, or under the subordinate Governments, in which latter case it is suggested that the drafts of regulations, to have the force of law, be framed by such subordinate Governments, but that their approval should rest with the Governor General.

11. The questions, therefore, on which I wish for your advice and opinion are the following:—

12. Assuming that no change is made for the present as to the site of the capital of India, would you recommend that Bengal should be placed under a Government similar to that of the Presidencies of Madras and Bombay?

13. If you are not of that opinion, would you recommend that the present form of Government for Bengal, and present relations between it and the general Government should be maintained?

14. Or would you consider it preferable that the local administration of Bengal should be placed in the same hands as the general administration of India; and if so, what arrangements would you propose in order to give effect to that system?

15. Or would you deem it expedient to restore the relations which formerly subsisted between the Governor General and the Presidency of Bengal, by making the Lieutenant Governor a member of the Council of the former, with, perhaps, the title of Deputy Governor of Bengal?

16. In that event, would you further think it desirable that his present Legislative Council should be abolished, and that he should possess legislative power for limited purposes, all other legislation for Bengal being entrusted to the general Legislature?

17. If you should be of opinion that any change, authorising or compelling the Governor General to take a more direct share than at present in the administration of Bengal, is desirable, would you recommend the adoption of a similar change in his relations to the subordinate Governments of other parts of India?

18. I further desire to be informed in what manner you would recommend that provision should be made for the case of the Governor General's being called away from Bengal to any other part of India, when not accompanied by his Council in a body. It may, perhaps, be convenient that he should have in this case the power of summoning to his assistance any one or two members of that body, with power to act with that assistance, as the Governor General in Council, for such purposes as may be deemed expedient.

19. I wish further to be favoured with your views as to the proposed establishment of summary powers of legislation for certain portions of India, which I need not recapitulate.

20. I have invited your views on these subjects, on the assumption that no change is to be made in the site of the capital of India. But I feel that it is impossible that they could be fully and freely discussed, unless the possibility of a change of policy as to that most important particular were also taken into consideration. I leave it, therefore, to your discretion to give me the benefit of your advice (if you think the time arrived for it) on that question also, and whether you think it advisable that steps should be taken, by the institution of a formal commission of inquiry or otherwise, in order to give effect to any such change.

21. In connection with these subjects, although in itself of a subordinate character,

racter, I should wish you to deliberate as to the best mode of strengthening the secretariat and other executive details of the Bengal administration; in particular, whether in your judgment the Board of Revenue should cease to exist on its present footing, although the precise arrangement to be made in its stead must depend on what is decided with reference to other questions.

22. I shall await the expression of your opinion on subjects which will necessarily demand close investigation; but you will, I have no doubt, feel that when the discussion of changes so momentous is once seriously initiated, it is better, with a view to the effect of the knowledge that such discussion is pending on the public mind, that it should be brought to a conclusion as early as is compatible with the gravity of the occasion.

I have, &c.
(signed) *Stafford H. Northcote.*

— No. 11. —

(Home Department.—Public.—No: 50 of 1868.)

To the Right Honourable Sir *Stafford H. Northcote*, Bart., Secretary of State for India.

Sir,

Fort William, 28 March 1868.

WE have the honour to acknowledge the receipt of your Despatch, No. 10,

By the Governor General, dated 19 February 1868, (and annexure).

By the Commander-in Chief, dated 24 February 1868, (with Appendix).

By Sir W. Muir, dated 25 ditto (with Appendix).

By Sir Henry Durand, dated 27 ditto (and annexure).

By Mr. Maine, dated 27 ditto.

By Mr. Taylor, dated 27 ditto.

By Mr. Massey, dated 3 March 1868.

By Mr. Maine, dated 16 ditto.

By Sir Henry Durand, dated 17 ditto.

By the Governor General, dated 23 ditto (and annexure).

Note by the Secretary, Home Department.

By Mr. Strachey, dated 26 March 1868.

By Sir Henry Durand, dated 28 ditto.

* Dated 13 March 1868.

dated the 16th January, and to transmit herewith for your information, copies of the Minutes as per margin, separately recorded by us, on the subject of certain proposed changes in the machinery of administration in the Presidency of Bengal, on which you have requested our opinion.

2. We also enclose a copy of the Minute* recorded by the Lieutenant-Governor of Bengal, to whom we communicated a copy of your Despatch for an expression of his opinion on the points connected with the administration of his charge.

3. The differences which these papers exhibit upon some of the more important questions regarding which reference is made in your Despatch under reply, render it, we consider, advisable that the Minutes themselves should be laid before you rather than that we should attempt to give any collective expression to our opinions.

We have, &c.
(signed) *John Lawrence,*
G. N. Taylor,
W. N. Massey,
H. M. Durand,
H. S. Maine,
John Strachey.

Enclosure 1, in No. 11.

MINUTE by His Excellency the Governor General, dated 19 February 1868.

IN anticipation of the receipt of the Despatch of the 16th ultimo, No. 10, I prepared and sent to the Secretary of State a memorandum, copy of which I now place on record, giving my views on the various points connected with the Government of India, and the Administration of Bengal, on which information appeared to be required. I now propose that copy of this Memorandum, with any Minutes which my honourable colleagues may write, and the opinion of the Lieutenant-Governor of Bengal, which has been called for, shall be sent home by the earliest date which may be practicable, in accordance with the wishes of the Secretary of State for India.

2. I do not find that there is anything of importance, which the Secretary of State has brought forward, on which I have not expressed an opinion. I will now, however, recapitulate the views which I have expressed, taking up each point in the order in which it has been placed by the Secretary of State.

3. I do not recommend that Bengal should be placed under a Government similar to that of the Presidency of Madras, and of Bombay. The burden of the local Administration of Bengal only partially falls on the Governor General in Council. All the general details are performed by the Lieutenant-Governor, without any reference to higher authority. I do not think that a Council for Bengal is at all necessary. But should it be decided otherwise, then I would be disposed to constitute the two principal secretaries as the councillors for that Administration, an arrangement in which there are some obvious advantages. In other words, instead of appointing separate councillors, and creating additional offices with additional cost, I would vest the two principal secretaries with the functions of councillors, in addition to their executive functions of secretaries. Now that it has been agreed that the principal secretaries shall have high salaries (one as much as 50,000 rupees), they will be of sufficient rank for the above purpose. The principle, too, accords with English analogy; a Secretary of State, for instance, is also a member of the Cabinet.

4. I am in favour of maintaining the present form of government for Bengal, and the existing relationship between it and the general government of India.

5. I do not recommend that the local Administration of Bengal should be placed in the same hands as the general government of India.

6. Nor am I disposed to recommend the restoration of the relations which formerly subsisted between the Governor General and Bengal, by making the Lieutenant-Governor a member of the Administrative Council of India, with the title of Deputy Governor of Bengal. Such an arrangement would possess no real advantage in itself, and would scarcely be even practical after the severance of duties which has for some years been carried out. And as regards the Lieutenant-Governor of Bengal, he has ample employment for all his time, and all his energies, without being a member of, or participating in, the general government of India.

7. Further, I incline to the opinion that there is no real advantage in maintaining a separate Legislature for Bengal. It does not possess the same weight as the other local Legislatures. All that it does, could be done, and better done, by the Legislative Council of India. There is some danger that important questions may not be so broadly treated in the Council of Bengal, as in that of India; while the business of the former Council must absorb some of the time of the Lieutenant-Governor, which might be more usefully employed. His Honor is a member already of the Legislative Council of India, so that he has now two of these councils to which he must attend.

8. I would give the Lieutenant-Governor of Bengal the same powers of summary legislation as are to be conferred on the Lieutenant-Governors of the Punjab, and other provinces, reserving great questions for the general Legislative Council of India.

9. I do not suggest that the Governor General should take a more direct part than at present in the administration of Bengal; what he now does is quite sufficient; but he should retain full authority to interfere in the way of supervision and control, whenever it might be deemed necessary to do so. In provinces managed by a Chief Commissioner, he should regulate the administration as at present.

10. When the Governor General is called away from Bengal on any emergency, and is not accompanied by his Council in a body, I would allow, as at present, the appointment of a President in Council, and I would also give the Governor General the power of summoning to his assistance any one or two members of his Council, with authority to act with their assistance as a Council, for such purposes as may be deemed expedient. But I am strongly in favour of the Governor General taking his Council with him when he may leave the lower provinces for any considerable time.

11. I am in favour also of the plan of giving summary powers of legislation for such parts of India as the North-west Provinces, the Punjab, Oude, the Central Provinces, Burmah, and Assam, when deemed necessary. Such legislation to be subject to the control and approval of the Governor General in Council. I have already, in paragraph 8, recommended the abolition of the local legislature for Bengal, and the granting the power of summary legislation for that province. In other words, I would grant the power of summary legislation for all provinces which might be without a local legislature of their own, that is, for the whole of the Bengal Presidency and its dependencies.

12. I would separate Assam, Cachar, and certain adjacent districts, now belonging to Bengal, from that Lieutenant-Governorship, and place them under a Chief Commissioner, subject to the direct control of the Governor General in Council, recasting the Administration. But I would make no change in respect of Orissa, which province essentially pertains to Bengal, and is of limited extent.

13. I am strongly in favour of maintaining Calcutta as the capital of India, and see no
o.81. advantage

vantage in the appointment of a Commission to enquire and report on the subject. No Commission can add to the information already available, and every one who has seen much of India can form his own opinion at once on this matter. It appears to me that the weight of authority greatly preponderates in favour of the retention of Calcutta as the metropolis of India. There is not, in my judgment, any one place in India the advantages of which can compare in the aggregate with those of Calcutta. And there is obviously none in which it would be desirable to retain the Governor General in Council for so considerable a portion of the year as in Calcutta.

14. We have already recommended that the Secretariat of Bengal should be strengthened, and have sent to the Secretary of State a formal proposal to this effect from the Lieutenant Governor.

15. I am in favour of the abolition of the Board of Revenue in Bengal, and substituting a single Financial Commissioner, perhaps distributing some portions of the work among other authorities. But I consider that at least a Financial Commissioner is absolutely necessary. A specific proposition on this subject can be made hereafter in communication with the Lieutenant Governor.

16. I am not sure whether I fully understand the following passage in paragraph 10 of the Secretary of State's Despatch:—

“With respect to others—Assam, Burmah, Sind, and possibly Orissa—if it should be thought to require separation from Bengal Proper, it may be a question whether they should be placed directly under the General Government or under the Subordinate Governments.” But to make sure, I would say that in my opinion Sind should remain under Bombay; British Burmah is under the Government of India, and should continue so; Assam should be created into a Chief Commissionership directly under the Government of India; and Orissa should be retained under Bengal as already explained in this Minute.

(signed) *J. Lawrence.*

MEMORANDUM by His Excellency the Governor General; dated 20th January 1868.

I HAVE perused and considered certain papers sent to me confidentially by the Secretary of State, relating to the future Government of Bengal, and I desire now to transmit my remarks on the whole subject.

2. In the first place, I am averse to the proposal to substitute in Bengal a Governor and Council for the Lieutenant Governor. I can perceive no necessity for the change; I anticipate no advantage from it; I rather apprehend inconvenience arising from it.

3. For many parts of India, and Bengal among them, the best form of Government is personal administration by a single head, without a Council. Hereby are secured the momentum of improvement, the exaction of responsibility, the exercise of vigilance, in the highest degree ordinarily attainable. The Governments thus constituted have been as efficient as any ever seen in India. Even in the Governments otherwise constituted, that is, having Councils, much of the remarkable good accomplished, most of the greatest strides made have been due chiefly to the individual Governors rather than to the corporate Government. The progress made by the Governments of Madras and Bombay at various times, especially under the administration of such men as Munro, Malcolm, and Elphinstone, has been attributable to those eminent persons themselves.

4. There is competent testimony to the effect that the successive Lieutenant Governors of the North-Western Provinces were able to manage better without a Council than with one. In the Punjab, though as head of the Government, I was aided by departmental chiefs, on whose counsel and aid I had special reliance; still, I may say without any disparagement of them, that I was able to manage far better when those officers were my subordinates, than I could have done had they been my colleagues.

5. Counsel is indeed not to be undervalued. Its value is well known to me in common with all others who have been tried in the troubles of conducting administration. Every Governor ought to seek advice from those competent to afford it. He naturally will do so; nay, more, he can hardly proceed without doing this. But this is a very different thing from having a Council who must necessarily be consulted throughout the entire conduct of affairs: who may be in the habit of regarding things from a diverse point of view; and who might, if they saw fit, offer serious impediments at any stage of the proceedings.

6. The recent calamities in Orissa do not seem to me to furnish any argument for altering the constitution of the Government of Bengal. The admitted shortcomings in that conjuncture did indeed partly arise from defects in the general system of administration. But these defects did not particularly touch the constitution of the Government itself. The local Government did give personal supervision to those grave events, but unhappily that supervision missed the mark. The Lieutenant Governor did actually visit Orissa at a time

time which might have been rendered most opportune; at a moment, indeed, when the signs of coming disaster might have been well discerned; and when precautions might well have been taken.

The misfortune was that the significance of the symptoms was not perceived. But this arose from error on the part of the Lieutenant Governor, and not from any inherent defect in the local Government. Let it be supposed that the measure of allowing Bengal a Governor and Council, as now proposed, had been carried a few years ago, what would have been the result during the late famine in Orissa? Why, the late Lieutenant Governor would have been the Governor, and the Members of the Board of Revenue would have composed his Council. Hereby matters would not have been mended, for the corporate action of the Government would manifestly have been exactly the same as that which was taken. Nowhere in the history of British India have great calamities been met with nobler energy and forecast than the successive famines in the North-West Provinces. And all this was effected by Lieutenant Governors without Councils.

Neither is this argument weakened by the example of the military revolt of 1857, which burst out in the North-West. That event arose from causes of an imperial character with which the local Government had no concern; and the progress of the evil was rapid, simply because the power of the mutineers was overwhelming, and because the local Government could not be furnished with the adequate physical means of prevention. A Council could have been of no avail to the Lieutenant Governor under the pressure of those events.

7. I hardly see the force of any argument to the effect that the selection of a Lieutenant Governor might fall on a person of peculiar views, who, unrestrained by a Council, might undo the work of his predecessors. Of the many Lieutenant Governors who have been appointed, all with the very fewest exceptions have been the fittest men who could have been selected. Not one of them has ever set himself against the policy of those who went before him, and in the several Lieutenant Governorships there has been quite as much continuity of action as was desirable, and as could have fairly been expected from a Governor and Council. The argument that a Council serves as a check upon undue changes and alterations, though not without force, may yet be turned the other way. For, if things got into a groove, from which deviation were desirable, such deviation could perhaps be more readily accomplished by a Lieutenant Governor than by a Governor and Council. If a Council might act as a restraint upon change, it might also act as a drag upon reform.

8. I do not attach weight to the argument that the Lieutenant Governor would be strengthened by having a Council. If he be fully fit (as he generally will be) for his post, he will be strong enough to rule alone. In some respects his work would be lightened by the distribution of parts of the business among the Members of the Council. On the other hand, it would be augmented by the necessity of discussing many questions with the Council, such discussions having often to be carried on in writing, and this too sometimes on matters hardly of sufficient importance to justify such discussion. Thus, on the whole, I doubt whether any of the Lieutenant Governor's time would be saved by his having a Council. I rather apprehend that, with a Council, he would be weaker and not stronger than at present, and that his time would be even more heavily tasked.

9. On the whole, I believe that good government in Bengal must depend on the personal capacity of the Lieutenant Governor. For this I would rely on good selections being made for that post. From past experience generally such reliance may reasonably be entertained for the future. The best man having been thus chosen, he will have greater power for good, greater responsibility for results, greater stimulus to first rate action, if he ruled alone, than if he were combined with a Council. If he be the best man, he will know whom to consult, and will be sure to obtain the counsel that he needs.

10. If it were urged that the same arguments which are good for having a Governor and Council in Madras and Bombay must be equally good for Bengal, then the answer is this: Both Madras and Bombay have separate armies and services, whereas Bengal has not. Again, Madras and Bombay are distant from the Government of India, and are not much under its supervision; whereas Bengal is immediately under the eye and under the supervision of the Government of India. Therefore it is one thing to have a Governor and Council for Madras and Bombay, and quite another thing to have such a constitution for Bengal. What may be proper and necessary in the former cases need not be so in the latter. This point will be further examined presently.

11. If it were intended that Bengal be governed by a Governor sent out from England, then a Council might be more useful than it would otherwise be. But if a Lieutenant Governor be selected of Indian experience and knowledge, then the need of a Council disappears; and looking to the character of the work chiefly concerning internal administration, and to the proximity of the Government of India, I believe that it will be best to select an officer who knows the country.

12. Besides the above points relating to the efficiency of the local Government itself, I apprehend that to accord to that Government the status now proposed will be to introduce

some elements of embarrassment into the relations between the Government of Bengal and the Government of India.

13. However well the system pursued towards the Governments of Madras and Bombay may work, they would not, I fear, work equally well in Bengal. Both Madras and Bombay are distant from Calcutta and Bengal, the seat of the Government of India, and are nearer than Bengal to England. The two minor Presidencies, though to some extent subordinate to the third or greater Presidency, are yet distinct from it. They have separate armies, separate civil services, separate establishments, and separate traditions and associations, all of their own. The people in the two minor Presidencies, of all classes and ranks, public and private, naturally look up to their own Governments, and regard the Governor General only as a comparatively remote authority who does not reside among them, and who only appears before them on special occasions. Under all these circumstances, which have grown up during several generations, the certain degree of independence enjoyed by those two Governments, the procedure whereby they transmit correspondence direct to the Secretary of State may be very reasonable and may work satisfactorily enough, as a rule, though liable to exceptions.

14. But in respect to the Bengal Presidency generally, and Bengal proper particularly, all the above conditions are reversed. Bengal proper is in immediate proximity to the seat of the Government of India. The head quarters of the Government of India and of the Government of Bengal are in the same place. Bengal proper is not a distinct Presidency, but only one out of several sub-divisions of a Presidency. The troops that garrison it, the civil establishments that manage it, are not separate, but are only a component part of the establishments of a great Presidency. Its traditions and associations, so far from being separate from, are intimately bound up with, the Government of India. The people have been accustomed for generations to regard the Governor General, not as a remote authority, but as a present reality, residing and moving about amongst them.

15. Under these opposite circumstances, I cannot but doubt the expediency of having, on the same spot with the Government of India, a Governor in Council for Bengal on a status similar to that of Madras and Bombay; that is, with a certain degree of independence, and with the privilege of corresponding direct with the Secretary of State. That two Governments should be addressing the Secretary of State from the *same* capital seems to be, *per se*, incongruous and unnecessary. This would scarcely be compatible with the position due to the Government of India. In ordinary times it would cause a certain amount of friction; in times of difficulty it would produce grave inconvenience. If any difference of opinion arose between the Government of India and the Government of Bengal, both being in the same place, what would become of the former if the latter were in direct official correspondence with the Home Government? Not to go too far back: What would have been the effect, as regards the Government of India, if, during the indigo disturbances of 1860 and 1861, or the Bhootan affairs of 1865-66, the Bengal Government had been in direct communication with the Secretary of State?

16. One good reason for the Government of India having less authority over the Governments of Madras and Bombay is, that it is necessarily without local knowledge, and without the means of exercising any minute control, or of forming an independent judgment. But the fact is different in Bengal. There the Government of India being on the spot for a considerable portion of the year, is necessarily possessed of some local knowledge, and really has the means of exercising some control; frequently it can form a complete opinion of its own. Therefore, to make the Government of Bengal in a considerable degree independent, and to reduce the control of the Government of India to a minimum, would seem to be setting the Government of India aside needlessly; to be losing the advantages of its supervision which is actually available; in short, to be wasting power.

17. If it be thought that, inasmuch as the Government of India is less responsible for Madras and Bombay with Governors and Councils than for Bengal with only a Lieutenant Governor, therefore to establish a Governor in Council in Bengal will be relieving the Government of India of some part of responsibilities already excessive in extent, then my reply would be this: The Government of India being in Bengal and in Calcutta, is, and must inevitably be, more responsible for Bengal than for Madras and Bombay. From this responsibility there is no escape, not even by the creation of a Governor and Council. If the late famine in Orissa had happened during the administration of a Governor in Council, instead of a Lieutenant Governor, would the anxieties and the sense of responsibility so keenly felt by the Government of India have been a whit diminished? Certainly not, I apprehend. But if the responsibility of the Government of India for the state of Bengal must continue to exist much as it now exists, then its power of action, its means of discharging that responsibility, in justice to itself and to the country, will be diminished by the creation of a Governor and Council in Bengal.

18. It seems to me to be of imperial importance that the office of Governor General should be preserved in an effectively powerful position. This appears essential for the securing uniformity on those points where it is needed; for the due regulation of finance; for the wielding of the national strength of India in all emergencies. Any step which would unnecessarily derogate from its authority is to be deprecated. I apprehend that to erect

erect an almost independent Government in Bengal would prove to be a step of this description. There is a Viceroy and Governor General in the Bengal Presidency. Is he to be fully and really Governor General for Northern and Central India, and not fully and really Governor General for the lower provinces or Bengal proper?

19. Perhaps it might be thought that while the Government of India remains more connected with the Bengal Presidency than with the other Presidencies, its orders and decisions on Madras and Bombay questions will be more or less tinged with Bengal influences, and regarded from a Bengal point of view. But I could not admit the validity of this argument which seems to me based on a misconception. In all matters of internal administration the Government of India interferes but little, and any reference made must be answered on the data furnished by the local authorities. In such matters, for instance, as revenue settlements, nothing can be more complete than the independence enjoyed by Madras and Bombay. It is in financial matters that the Government of India really exercises control, and that is indispensable if the resources of the Empire are to be husbanded, and the public credit maintained. This control is and always has been exercised on purely Imperial considerations; Madras and Bombay receiving all, and sometimes more than their share. And it is mainly on financial grounds that the Government of India supervises the Public Works expenditure in these two Presidencies. So far then as this argument is concerned, there is no objection to the existing position of the Government of India, a situation which was not theoretically devised, but has grown up through a long series of years out of the practical conditions and requirements of the British Empire in India.

20. For all these reasons I am unable to advocate the proposed alteration in the constitution of the Government of Bengal. I recommend that the local Government be maintained as a Lieutenant Governorship without a council, to be strengthened according to need by additions to its Secretariat. If it be thus maintained, I should rely on its being found equal to its duty.

21. But if the ultimate decision shall be that a Governor and Council be allowed to Bengal, I am prepared to do my best to carry the measure out according to the intention of the Home Government, and to make it work as successfully as possible.

22. I would then suggest, for consideration, that the new Government of Bengal be not placed in direct communication with the Secretary of State, and that all its references Home be submitted through the Government of India. Or if the new Government of Bengal must be placed exactly on the same footing as those of Madras and Bombay, then I hope that the opportunity may be taken to define, somewhat more precisely than at present, the manner and conditions by which the direct correspondence of those Governments with the Secretary of State is to be regulated, and to determine how far the Government of India really can control the proceedings of those Governments, and how far it is really to be responsible for the results thereof. At present a Governor in Council might adopt a measure reporting it simultaneously to the Secretary of State and to the Government of India, but without having made any previous communication to the latter on the subject. The Government of India might entertain an objection to the measure, and might desire to point this out. But, in fact, the time for doing this has passed, for the Governor in Council having virtually committed himself to the measure, and already reported it to the Secretary of State, must naturally be disinclined to listen to the objection. If indeed the objection could have been urged before the report to the Secretary of State had been made, then it might have been listened to. In such circumstances also it is almost too late to represent the objection to the Secretary of State. But had the procedure been otherwise, the Home Government would have had before it the opinion simultaneously of the local Government and of the Government of India. More than this, however, there is at present little or nothing to prevent a Governor in Council from referring to the Secretary of State a point which has been discussed with the Government of India, without waiting for the final opinion of the latter. These and other cognate causes seem calculated to unduly diminish the influence of the Government of India in important matters.

23. The correct principle would seem to be that, while on the one hand full opportunity should be afforded for the opinions and proceedings of the Governors in Council being transmitted direct to the Secretary of State, yet, on the other hand, the views of the Government of India should be transmitted at the same time, before it is too late for their being practically weighed. In all important matters, and in all matters where it is known, or may reasonably be supposed that the Government of India has an opinion of its own, the Governor in Council should be bound to obtain, or wait for, such opinion before making a report to the Secretary of State. These remarks do not so much apply to other cases of an ordinary or routine character, wherein the existing procedure answers sufficiently well.

24. In connection with the proposed reconstitution of the Government of Bengal, it has been suggested that Calcutta, the capital itself, should be removed from the jurisdiction of the Government of Bengal, and placed under the Government of India direct. From whatever point of view regarded, this plan would, I apprehend, be found altogether impracticable. As regards the local Government, Calcutta, the political capital, the commercial emporium, the natural seaport of Bengal, is indissolubly connected with the interior of the province by trade, by inter-communication, by every sort of association and relation. To take Calcutta away from Bengal would be to tear the heart out of the body politic. In

the times as they now are, such a disruption would produce infinite inconvenience to the public service and to the people at large. As regards the Government of India, it could not possibly undertake the charge of Calcutta. It would be overburdened by novel and additional work, foreign to its proper duties. It would become permanently fixed to Calcutta instead of being able to move about India occasionally. It would become involved in local and municipal affairs to the detriment of its higher functions.

25. It has been proposed to lighten the cares of the Bengal Government by relieving it of Assam and Cachar, and by erecting those outlying provinces into a chief commissioner-ship, independent of the local Government, and subject only to the Government of India. Proposals to this effect have of late years been often discussed, and I consider that the time has now fully arrived for carrying the plan out. Besides the advantage of lessening the now excessive area of Bengal, the project would be a signal benefit to Assam and its dependencies. By reason of the isolated position of these districts, of their ethnical and topographical peculiarities, and their growing interests, they cannot be supervised from Bengal, and the requisite supervision can be afforded by nothing short of a separate local administration. Such an administration should be under a Chief Commissioner subordinate to the Government of India alone. If such officer be under the Government of Bengal, the new administration cannot be expected to thrive properly. Instead of having a healthy growth of its own, it would languish under influences emanating from elsewhere. The object, I take it, is to strengthen the new administration and to bring it into a more forward stage. The Government of India has far greater means than the Government of Bengal at command, both for assistance and encouragement. The new Chief Commissioner would be the man on whose personal exertions success would mainly depend. Whoever be selected, he will assuredly prefer being under the Government of India, and will thereby be in better heart and spirit.

26. While the Secretariat of the Bengal Government is strengthened, it has been proposed to reduce the Board of Revenue from two members to one, who should be in a position similar to that of the Financial Commissioner of the Punjab. I am quite prepared to advocate this. Whatever is now done by two members conjointly can be done as well by one member singly. With a single officer, indeed, there will certainly be a greater enforcement of responsibility, and probably a greater degree of efficiency. On the other hand, I do not believe that the Board can possibly be abolished altogether. Such an abolition would effectually swamp the already over-tasked Government of Bengal. Nor would such an abolition be at all rendered feasible by increasing the powers of divisional commissioners. Even if this increase were accorded, there must be some supervision to secure uniformity, and to prevent each Commissioner from initiating diversities of practice. And this supervision must be exercised by a financial commissioner, otherwise it would devolve on the Local Government.

27. Lastly, in connection with the whole subject, there are the questions relating to the seat of the Government of India.

28. It is needless to recapitulate the arguments which have at various times been adduced for removing the seat of the Government of India from Calcutta. While admitting their weight so far as they go, I am yet unable to indicate any place whither the Government of India could be moved. It is not practicable to select a site on any theoretical grounds, however excellent, nor to plant the Government on any spot not already a first class city and station,—for cities proverbially grow of themselves, and can never be created successfully. We could not move to the North-West part of India, for although that quarter is near to the scene of political action, still it is much too far from our base of communication with the seaboard; a consideration which, after the experience of 1857, can never be overlooked. Neither can we move to Poona, for, though that is sufficiently near the sea, still it is much too far from the North-West, and from those quarters which are of most importance in any general trouble or danger; and moreover, its communications with the North-West would, under such circumstances, be found far from good, and the main route (even by the railway which is being made from Bombay to Allahabad), is without any complete chain of military stations. Further, there is some difficulty in moving the Government of India from the Bengal Presidency to either of the lesser Presidencies, inasmuch as it would be separated from those provinces of India with which it has a more direct concern, and with which it has been associated for a century, and fixed in a comparatively distant part of the country with which it has less connection and association.

29. In default, therefore, of any more suitable place for moving to, I can only recommend that we adhere to Calcutta. The objections to its climate are well known, but these are not insuperable. Though for half the year the seasons are insalubrious, yet that is not all the case for the remainder. And so far as climate is concerned, the Government of India can well be present in Calcutta for nearly half the year, which, in my judgment, is a fully sufficient proportion of time. And then Calcutta is far from destitute of advantages as a capital. It has the largest European community in India. It is the principal town and port of the richest and most populous province of India. It is the point where the largest fiscal resources in the Indian Empire are gathered together,—an advantage in all seasons of trouble. It is surrounded by the most docile and unwarlike population in India,

so that while the greater part of the empire might be agitated, Bengal would remain in peace and order; and thus in time of danger, the atmosphere around the seat of the Supreme Government would be comparatively tranquil,—an advantage which proved of great value in 1857. On the other hand, its communications with all the North-West are the best possible, and the Governor General, or the whole Government, can readily move there if required by any grave reason or political danger. Lastly, the seat of the Government of India always has been, and still is, in Calcutta; and that is in itself an argument arising out of the entire traditions of the British Empire in India. If the way to a beneficial change could be seen clearly, then such change might be worth the great cost which such a move would entail. But as the way is not clear, then it is better to refrain from trying the change, and to avoid the heavy expenditure which such a trial would occasion.

30. But while recommending that the seat of the Government of India should remain at Calcutta, I should be quite averse to any proposal for fixing it there all the year round. Such a plan would grievously weaken the Government of India, and deprive it of the best means of learning its duty and of understanding the country and people under its charge. It is essential that the Governor General should be able to move about the interior of India, and this has always been done by every person who has held that office. I have found it necessary to visit some of the most important parts of the empire, to consult the local governors and administrators, to receive the Native princes, to see the leading Natives of all classes. And if this be necessary for me, who have spent the best part of my life in India, it may be even more necessary when my present office is held by an English statesman. This, too, is requisite, not only in periods of special difficulty, but also in peace and in ordinary times. In no civilised country, whether in Europe or elsewhere, do the heads of the Government remain permanently at the capital all the year round; they are always absent in the interior during a portion of the year. In India, the successive Governors General have been absent from Calcutta on the average from one-third to one-half of their time. I have myself done much the same, and I have spent nearly half my time in Calcutta. And the seasons during which I have resided at Calcutta have been those when business is at its greatest stretch; when the city is at its fullest; when trade is at its highest; when people are most congregated together, and when there are the most facilities for assembling the Legislative Council, and for consulting persons of all classes. And some such principle, subject, of course, to modification according to circumstances, is the one most proper to be followed. In moments of urgency, the Governor General can move alone; but in ordinary times, when he moves, it is most desirable that he should be accompanied by his Council. It is in this way that the duties of the Government can best be discharged. Of late years when the Governor General and his Council have moved from Calcutta they have gone to Simla. For this purpose Simla has been found convenient, because it is situated near the Punjab and the North-West Frontier, the quarter where our most important political and military relations exist, because the route to and fro between Calcutta and Simla leads through the most important portion of India, and the portion with which the Government of India has the most direct concern, because the climate is of great salubrity, and because it is at present the only salubrious station where adequate accommodation could be found for the Members of Government and such portions of the establishment as must necessarily accompany them. But these circumstances may vary, and it may at any time be convenient that the Government of India should move for a time to other places besides Simla, such, for instance, as Ootacamund in the Madras Presidency, or Poona in the Bombay Presidency, or other stations. But provided that in general terms a part of the year were spent at the seat of Government, and a part in the interior of the country, the determination of the rest of the matter will best be left to the Governor General of the day.

31. I may conclude by adverting to a supposition which may possibly be entertained to the effect that the residence of the Government of India during a portion of the year at Simla involves additional expense to the State. Now, as a matter of fact, no such additional expense has been incurred. There has always been, still is, and must ever be, a certain annual expenditure for the travelling, the tours, and the State Durbars of the Government of India. During the last few years the annual charges under this head, including all expenses relating to journeys through the north-west on the route towards Simla or towards Calcutta, have been much the same as during the time of my predecessors; not at all more, but rather less. And during these very tours in the north-west between Calcutta and Simla, three State Durbars, with large gatherings of native princes, and with public proceedings, have been held, namely, that at Lahore in 1864, that at Agra in 1866, that at Lucknow in 1867.

(signed) *John Lawrence.*

Enclosure 2, in No. 11.

MINUTE by His Excellency Sir *W. R. Mansfield* on the Despatch of the Right Honourable the Secretary of State for *India*, No. 10; dated 16 January 1868.

THE question whether Bengal should be placed under a Government similar to that of the Presidency of Bombay seems to me to hinge on an important point, which is stated in the 17th paragraph of the Secretary of State's letter, viz., whether it be desirable to authorise the Governor General to take a more direct share of administration in his relations to the subordinate Governments of other parts of India.

Owing to the privilege of direct correspondence with the Secretary of State, the Governments of Madras and Bombay are placed in a position of quasi-independence towards the Government of India. Or, to put the matter more exactly, it may be said that Madras and Bombay exist under a two-fold supremacy, viz., of the Secretary of State on the one hand, and of the Government of India on the other.

The natural result is that, according to the opinions held by a minor Government, the Secretary of State and the Government of India are liable to be played off against each other.

If the dissent is from the views of the Government of India, the attempt is sure to be made in despatches and telegrams to obtain a sanction or approval or opinion from the Secretary of State, or at least to influence him before the voice of the supreme Government can be heard in London.

This actually occurs, it may be presumed, in every Department, but more especially in all matters of financial character, in which the necessary control of the Government of India is felt immediately, and often much resented.

As it is, the Government of India, which finds the ways and means, and which is finally responsible for the good order and management, domestic and foreign, of the whole empire, it does appear to me most unreasonable that the privilege of direct correspondence with the Secretary of State should belong to Madras and Bombay.

Having a long experience as a Member of Council in Bombay, and subsequently in that of the Governor General, I am convinced that the arrangement suggests and promotes opposition in small as well as large matters, and is a bar to efficient financial control.

This may be said without prejudice to the argument in favour of what has been called financial decentralisation, according to certain principles which were illustrated in our discussions of last year.

Favourable as I am to such financial decentralisation, I should be averse to see it introduced if not accompanied by the restoration of the Governor General's authority where, to my apprehension, it has of late suffered decay since the supervision of the several Presidencies in India has been transferred directly to Parliament from the Honourable East India Company.

I would, therefore, suggest that the first reform to be carried out is the withdrawal of the privilege from Madras and Bombay of direct correspondence with the Secretary of State, in order that the Governor General in Council may really be the Governor General of India, without detriment to his functions from the office of the Secretary of State. The latter would still be the final authority with regard to Madras and Bombay, as he is now for all other administrations in India which are without the privilege alluded to, and which certainly do not in any manner suffer on that account with regard to their differences with the Governor General being fully heard and decided on their merits, *e.g.*, the talookdaree question in Oude.

If the above suggestions were carried into execution, I should be in favour of substituting a Governor in Council in Bengal for the Lieutenant Governor without a Council, *but not otherwise*. For I am extremely averse to diminishing the authority and prestige of the Governor General, either directly or indirectly: but, on the contrary, hold the strongest opinion that he should be the sole authority responsible to the Secretary of State, that responsibility not being interrupted by any conditions or relations such as that to which I have drawn attention.

I believe that this state of things would be more satisfactory and intelligible to Parliament than what we now have, and that the chance of misunderstanding, with regard to essential responsibility, would be thus avoided.

But, this being granted, I am clearly of opinion that the concerns of the Government of Bengal are such as to require the assistance of a Council, of which the members would take the direction of executive departments under the control of the Governor.

The amount of detail and routine work now passing under the eye of the Lieutenant Governor is, I conceive, far more than any one man can attend to. The result can hardly fail to be that decision on many minor points must depend on unseen and irresponsible subordinates, while there is the further consequence that the Lieutenant Governor is without the leisure time to apply to the consideration of great political and social questions, such, for instance, as the relations between Europeans and Natives, the indigo question, the labour difficulty in Assam, and so on.

During my eight years of association with Indian Governments, I have seen the greatest advantages result to the public interests from the thorough discussion in Council of important subjects, while the occasional loss of time in altercation, which is after all but a rare

rare occurrence, is, in the long run, of no consequence. The support which a Governor General or a Governor generally receives from his Council infinitely outweighs the occasional instances in which he may be thwarted, so far as he is personally concerned. The control afforded by argument, and the modification of opinion consequent on the latter are, I believe, of almost inappreciable value in a country of close bureaucratic administration, in which Parliamentary and all other means of open discussion are denied to the responsible authorities.

I confidently assert that the compromises generally flowing from the discussions of an Indian Council are far safer and more directly beneficial to the community and the interests of the State at large, than the simple decisions of one man, however able he may be, and however well he may be provided with a staff of Secretaries and other subordinates. For it must be recollected that no real debate takes place between this class of functionaries and their chief. They may offer ably expressed opinions, but the very nature of their position prevents the enforcement of such opinions by strong argument when the Governor concerned has shown the direction of his own views in a contrary sense.

Therefore, in answer to the questions put by the Secretary of State (*see* paragraphs 12 and 13 of his Despatch), I would say that Bengal should have a Governor in Council, on the understanding that he does not correspond directly with the Secretary of State, and that such privilege of correspondence be withdrawn from the Governments of Madras and Bombay.

In answer to the questions put in paragraphs 14 and 15, I would suggest that to place the local administration of Bengal in the hands of the Governor General in Council is a reactionary step, which would interfere with the efficiency of the Governor General for the purposes of the empire at large, and that it would serve to retard progress in the administration of Bengal. Such an arrangement was barely tolerable when the Bengal Presidency did not extend beyond the Jumna, and when Oude, Nagpore, and Burmah were still unannexed.

While, as above recommended, I would add to the positive authority of the Governor General, I deprecate any measure which would have the effect of encumbering him with the details of executive administration, beyond what comes before him now as the general referee of the several Governments, Commissions in Chief, and Governor General's agencies.

In reply to the query conveyed in paragraph 16, I beg to express my opinion that the present Legislative Council of Bengal should be continued. Considering the very extensive ramification of European settlement in Bengal, Behar, and Assam, and the manner in which the people look to law as opposed to regulation, I have little doubt that to vest the Lieutenant Governor with legislative powers for Bengal and Behar would be a step in the wrong direction, and that it would be viewed with much dissatisfaction by the community, British and Native. It is a matter of fact that the Legislative Council of the Governor General has hardly time or strength for the business it is now called on to transact. The official members who have their own executive work to attend to are so pressed by the committee and other business put on them, that they must at times feel that they are unable to do justice to it. If, therefore, this business is to be extended, the Council of the Governor General in the Legislative Department would seem to require additional members. To add to its number would deprive it of the character attributed to the Council under the changes introduced by Lord Canning and Lord Halifax.

I understand that the Bengal Legislative Council has done the local legislation well, the debates of that Council being a safety-valve for the expression of opinion, Native and British, in Calcutta, on local and municipal matters, and on projects of law affecting industrial interests in the provinces.

In reply to paragraph 18, it seems to me that the law, as now existing, answers every purpose.

It is much to the advantage of the State that the Governor General should move with his Council according to the plan adopted by his Excellency Sir John Lawrence. For in this manner there is great economy of time in the transaction of business, and the double Government of the old system with all its delays and altercations is avoided.

It is hardly possible to conceive a system more hostile to the transaction of business than that old system, according to which a Governor General with one set of secretaries passed long seasons in the Upper Provinces, whilst there was a President in Council sitting in Calcutta with another set. This evil used to be freely admitted in former times by those best able to give opinions, and I am led to believe that it was fully illustrated during the Government of the late Lord Elgin.

In the new system, as now inaugurated, the Government is always together, and, with the exception of the brief interval passed in travelling, the Council of the Governor General is in never-ceasing session. The results are a vast administration without any arrears of business, and a considerable personal acquaintance with different Provinces of the empire on the part of the Members of Council.

It is besides most important that the weight of the Governor General's presence should be felt elsewhere than in Bengal Proper. The remark applies more especially to the Government of the Punjab, which guards the frontier, and whence come, therefore, the most urgent political and military questions, the same frequently demanding early and rapid decision.

In short, I cannot conceive an arrangement more sound in principle and more conducive to imperial interests than that which has been sanctioned by his Excellency the Viceroy, and which has been tested by the experience of four years.

I do not think that any advantage would flow from the plan of causing one or two members of Council to attend the Governor General whilst the remainder might stop in Calcutta. The advantages of the unity of the Council would thus be destroyed, while I fail to apprehend any practical result which could be obtained in compensation.

With regard to the point stated in paragraph 19, it is probable that the establishment of summary powers of legislation for certain portions of India, meaning thereby what have been called non-regulation Provinces, may be an appropriate arrangement, although it is open to question whether Legislative Councils should not be given to the Governments of the North-Western Provinces and the Punjab for the transaction of such business as that performed by the Legislative Councils of Bengal, Madras, and Bombay. I am aware that many politicians in India hold to this view, and there is much to be said in favour of it.

With respect to the question put in paragraph 20, viz., as to the expediency of maintaining Calcutta as the capital of India, I have no doubt in my own mind that there should be no change. Whether the Lieutenant-Governor of Bengal remain as he is, or assume a higher style and title, he should in either case be unaffected by the mere fact of the presence of the Governor General. As an illustration of my meaning, I would instance that the military command of the Presidency division is entirely uninfluenced by my presence or absence from Calcutta, the routine of command proceeding in the same groove and according to the same rules of correspondence, wherever the Commander in Chief may happen to be. I do not understand that there could be any diminution of the Governor's importance or independence, because for a certain portion of the year the Governor General comes with his Council to his ancient and honoured place of residence. The same remark would apply to any other Government besides that of Bengal, if the Governor General should please to transfer himself for a season to one of the minor capitals. When considering this matter, we must not forget the prestige of a long-established capital which applies to Calcutta, and the vast waste of public property which would follow on any change.

There are other points of the Secretary of State's despatch which, according to his wishes, I believe, should not pass without an opinion. Thus, with respect to that suggested in paragraph 10, I think it, on the whole, better to leave outlying provinces under the governments to which they have become accustomed. I think it would be a mistake to alienate Sind from Bombay, and I rather imagine that such are the relations of trade between Assam and Calcutta, that it is better to leave that province under the Government of Bengal, which has for a long time been engaged with the difficulties of the planter interest and the development of the resources of the province.

As to the constitution of a Council for Bengal, I do not think the object will be properly attained by having a council of secretaries. A military member not being required, a council might properly consist of two members in addition to the Governor, one of whom being Financial Commissioner for the Government in place of the Board of Revenue, and the other to represent more especially agriculture, irrigation, public works, &c.

Differing as I do with the Governor General in his opinion as to the value of Councils, I am obliged to differ with him also in his view that the Orissa calamity was probably unaffected by the absence of one in Bengal. I think if there had been a Council at Sir Cecil Beadon's elbow, of which the members would have shared his responsibility, the discussions proceeding on the information submitted to him would have produced a greater caution in the action of the Bengal Government. I am persuaded that the want of this resulted from the entire absence of such control by discussion and argument over a sanguine and courageous temper, which, as we recollect in the dark time of the mutiny, was always buoyant and reliant, and was thus the means of the most effective support to the late Lord Canning.

I can well recollect, when I was in Bombay, how urgent used to be the consultations of the Governor with his Council when, as so frequently happened in the Dekkan and elsewhere, we were threatened with famine.

The point almost invariably put before us in such emergencies was, whether the scarcity and the alarm were of a character to warrant departure from the ordinary rules of political economy, which are maintained to the last moment in the interest of commerce, and therefore of the people who are the subject of anxiety.

But in truth, in considering the value of discussion in Council, we must not be guided by the success of one most able man in particular circumstances who may have done without one, but whether the majority of exalted functionaries are likely thus to succeed. Very great ability is after all the exception among Governors as well as among other men. The tendency of administration is to become more complicated and more difficult as civilisation advances, and the problems submitted to Bengal in the present day are probably far less easy of solution and require greater circumspection than those involved in the direct policy which was demanded in the Punjab immediately after the annexation of that country.

24 February 1868.

(signed) *W. R. Mansfield.*

APPENDIX to the MINUTE of His Excellency the Commander in Chief;
dated 24 February 1868.

EXTRACT Paragraphs 11, 12, and 13 of Revenue Despatch from the Government of India, to the Right Honourable Sir *Charles Wood*, Secretary of State for India, No. 19, dated 19 May 1860.

Para. 11. "WHILE, however, we have had to encounter this opposition from Madras and Bombay, we must not omit to refer to the support we have received from all other parts of India. From this city to Peshawur we have not found a solitary instance of any one in the public service, whatever his position, who has not exerted himself to the utmost, both by advice and active precautionary measures, to give support to the Government; nor have we found a single instance where an opinion is expressed that the taxes may not with due caution and care be successfully carried out; nor have they, in expressing such opinions, overlooked the natural aversion of all men to new taxes, and especially the enormously increased difficulty which has been created by the industrious dissemination of the Minutes of the Madras Government.

12. "You will, no doubt, be struck by the facts brought out in our letter to Bombay, as to the rapid growth of our expenditure other than military. Upon that important subject, and upon the continued practice of the local Governments, and particularly that of Madras, of incurring expenditure without sanction, and of their resorting direct to the Home Government for such sanction, instead of applying to this Government, we propose to address you by the next mail in continuation of this Despatch.

13. "We will only add that great and irreparable as is the damage done to our present efforts to place the finances upon a sound foundation by the causes to which we have referred, we have still no reason to think that the execution of our measures will be attended with such difficulties as cannot be surmounted by caution, firmness, and moderation, and you may rely upon our best efforts being used to that end."

(signed) *H. B. E. Frere.*
J. Wilson.

Enclosure 3, in No. 11.

MINUTE by the Honourable Sir *W. Muir*, on the Modifications proposed in the Government of Bengal.

ON the main question proposed by the Secretary of State in his Despatch of the 16th January last, I expressed my views at some length in a paper "on the expediency of increasing the authority of the several local Governments," prepared by me as Foreign Secretary, at the Viceroy's desire, and submitted to his Excellency on the 20th September last. Instead of repeating the arguments there made use of, I append to this minute a copy of the note in question.

I agree most thoroughly with the Governor General in considering that a Governor or Lieutenant Governor without a Council, is the most vigorous and efficient form of local Government. I need not recapitulate my reasons for this opinion.

If the head of the local administration be at home (as he always ought to be), in Indian experience, a Council is not necessary. In all important matters, involving undetermined principles, the Supreme Government itself supplies the want of a Council; is the fly-wheel which moderates and controls the movements of the local Government.

If the Governor or Lieutenant Governor were chosen from persons unacquainted with India, then no doubt a Council would be required, because otherwise the Governor or Lieutenant Governor would be, to a great extent, dependant on irresponsible advisers.

But apart from the advantage of having an administrator of local experience, I am satisfied, for the reasons stated in the accompanying Note, that upon the whole, there is far more energy and promptitude under the government of a single person than under the corporate action of a Council. Since, then, the individual form is attainable, as it always is on this side India, in connection with an effective check, I believe that it would be for the disadvantage of Bengal to substitute a Council for the same.

I am not prepared to say that the same reasoning applies to Madras and Bombay; because the "effective check" could not, on account of the distance, and the less familiarity of the Supreme Government with the circumstances of those Governments, be exercised perhaps with sufficient specificness and authority. It may thus be necessary to provide for those Governments a degree of autonomy and of modified independence, which it would not be safe to give without the check of a local Council.

For these reasons I answer the question put by the Secretary of State in his 12th paragraph in the negative.

Further, in reply to paragraph 13, I am of opinion that the present relations between the
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Government of Bengal and the Supreme Government should be maintained. The freedom of personal action is just so far under control, as to secure an uniform and consistent administration, without trammeling or weakening personal responsibility. I do not say that in some points of detail, involving possibly greater liberty in the disposal of certain heads of local taxation, some improvement may not be practicable. But, speaking broadly, I am, without doubt, in favour of maintaining the relations now in force.

In reference to paragraph 14, I should deem it highly inexpedient, for the reasons given by the Governor General, to place the local administration of Bengal in the same hands as the general administration of India. And for similar reasons, I should deem it objectionable to associate the Lieutenant Governor of Bengal with the executive Council of India (paragraph 15). That functionary ought not to be diverted from the proper duties of his own Government. And even as regards the Legislative Council of India, I think it is hard upon him to require that he should take a share in any legislative work excepting such as concerns his own Government, or special measures of importance on which the Government of India might particularly desire the benefit of his experience.

I am not prepared to concur with the Governor General in advocating the abolition of the Bengal Legislative Council. There is much local legislation, which I think would be unsuited for the Imperial Legislative Council, and the province appears to me too far advanced for the summary legislation adverted to in paragraphs 9, 10, and 19. Indeed (agreeing on this point with the opinions which I believe are those of my honourable colleague, Mr. Maine), I should hold such a stage of legislation to be suitable only for the outlying and ruder tracts. At the same time, I feel strongly that the Imperial legislative body is not properly constituted for the discussion and decision of the numerous questions of a local nature, which come up from the North-Western Provinces and the Punjab. I do not think that enactments involving matters of a purely provincial character can have justice done to them in the Supreme Legislative Council. And the only remedy I can at present see is to put those Governments on the same footing in respect of local Legislative Councils as Bengal stands upon.

In respect of not moving the seat of the Supreme Government from Calcutta, I entirely agree with the Governor General. I know of no place in India, and have heard of no place, the claims of which can at all come into competition with those of Calcutta, even if we were now for the first time searching for a suitable capital. As stated in the attached Note, the claims of Calcutta are immensely strengthened by the long traditions of supremacy which have fixed it as the capital in the mind of India. I feel this so strongly as to deem the public discussion of the question, involving as it does the notion of change and instability in our counsels, a grave political mistake.

I concur with the Governor General in thinking that Assam might with advantage be constituted a Chief Commissionership; and if so, that it would have freer action and better prospects under the direct control of India, than of Bengal. This ought materially to lighten the Lieutenant Governor's hands.

I have already stated in the Note referred to, that I think the work of the Bengal Board of Revenue might be discharged by a single member. The Lieutenant Governor would probably not require responsible advisers in the other Departments, and the suggestion which I made for a Chief Commissioner of Circuit may therefore not be necessary. If (as I gather from the Governor General's Minute) it has been proposed to give the Bengal Chief Secretary 50,000 rupees a year, it seems to me that the allowance is pitched considerably too high. I am not aware that the present salary is inadequate for securing and retaining for a sufficient period the best men available; and it appears to me inexpedient to fix the salary of an irresponsible secretary of a local Government at the same rate as that of a high court judge, higher than that of the Revenue Board, and equal to that of a member of the Legislative Council and the Secretaries to the Government of India. It will also create discontent in other Governments, the tendency being always to compare the emoluments of corresponding offices.

I agree generally with the Viceroy, that the Governor General, when absent from Calcutta, and seated at any convenient locality, should, as a rule, be accompanied by his Council. The decision of all important questions is thus made subject to wholesome discussion, and the disposal of the business of Government under the present departmental system facilitated. When it may not be possible to take all the members, it might be advantageous that the Governor General should have power to take any one or more.

A stay of four or five months in Calcutta is probably ample for the disposal of legislative and other business connected with the metropolis. But I confess I should like to see the Governor General making progresses from time to time through the various provinces. His presence should be felt in provinces out of the beaten track. While thus absent from Calcutta during a portion of the winter months, there is no reason why legislation and other business should not be to a great extent disposed of by the portion of the Council which on such occasions the Governor General might leave behind him in Calcutta.

In conclusion, I wish to add a strong expression of my opinion, that whatever shape the Government of Bengal may assume, there should be no direct correspondence with the Secretary of State. The Government of India is much weakened, and often embarrassed by the false position in which it is now placed with reference to Madras and Bombay. These Governments submit, at pleasure, reports and proposals to the Secretary of State, and orders are consequently sometimes passed without previous reference to the supreme local authority. The practice is not only defective as respects the decision of individual cases, but (as urged in my Note) it is calculated to undermine the authority of the Government of India

India, and render Madras and Bombay impatient of its control. Excepting returns and formal business, and the power of reporting direct on emergencies, I submit that all reports and references should be made to England through the channel of the Governor General in Council alone; and till a change is made in this direction, I am certain that irritation and discomfort will characterise the relations of the local Governments with that of India, and the relations of India with the Secretary of State.

25th February 1868.

(signed) W. Muir.

APPENDIX.

NOTE by the Foreign Secretary on the Expediency of increasing the Authority of the several Local Governments.

THE question under discussion is, whether it is advisable to give the local administrations a greater independence and stretch of authority than they now possess, and whether there should be any change in the character and force of the control at present exercised by the Supreme Government.

2. The administration of British India and of our relations with foreign States is discharged by four classes of authorities:—

I. The Governments of Madras and Bombay.

II. The Lieutenant Governorships of Bengal, North-Western Provinces, and Punjab.

III. The Chief Commissioners.

IV. The residents, and agents of the Governor General.

3. The first class, *i. e.*, the Governments of Madras and Bombay, stand in a distinct category. They are at a great distance from Calcutta, and have always possessed more or less the power of independent action, and of communicating directly with the Home Government. The interference of the Supreme Government was formerly, in the main, confined to military and financial matters, and our relations with external Powers. In later times the control became more strict in two points, finance and legislation. As regards the former, the budget system still holds its powerful check over every Department, although its stringency is relaxed in respect of local funds. In legislation also, the power, for a time centralised in Calcutta, has been again, with great advantage, distributed and local legislation permitted on subjects not of strictly Imperial concern.

4. Excepting, then, the army and finance, and other Departments as affected by the budget system, the Governments of Madras and Bombay retain, without any material diminution, the same power of nearly independent action they have always had. Indeed, as respects Madras, the fact is patent from the almost entire absence in this department of any symptom of interference. The only cases in the Foreign Office which occur to me as affecting Madras, have been in connection with Prince Azeem Jah, a matter referred to the Governor General by the Secretary of State; a boundary dispute between Madras and the Central Provinces, eventually settled with the consent of Madras; a claim on the part of a French resident to frank his letters; and one or two smaller matters connected with Mysore.

5. The action of the Government of India in respect of Bombay has been more frequent. Unlike Madras, which, undisturbed, occupies its own corner of the Peninsula, Bombay touches Imperial interests at many points. She is closely connected with the political relations of all the countries, both maritime and inland, on the West and North-West frontier; she is on the highway to England; and her ports, roads, railways, telegraph, and post, are essential to the whole of India for travelling, traffic, and correspondence. Every day the communication is becoming more complete and rapid; and now the transport of troops *via* Egypt will link Bombay in another point with Imperial requirements. Ease and quickness of communication are followed by a more intimate acquaintance on the part of the Supreme Government with the *personnel* and circumstances of the administration. For all these reasons it is natural that more constant reference should be made to the Government of India by Bombay, than from a distant and not easily accessible Province like Madras, and that the Government of India itself should be oftener referred to for guidance, or required to interpose its action.

6. And yet, excepting legislation and finance and public works (mainly as affected by finance), the degree of interference is not great. The proceedings of the Governments of Madras and Bombay are submitted monthly to the Government of India. But the entire *personnel* of the administration is at the absolute disposal of the Governor of each Presidency; no sanction or reference of any kind is needed for the nomination to any post, or removal from any post, either in Madras or Bombay. Alterations, indeed, cannot be made

in the existing offices without the sanction of the Supreme Government; but this is a financial, rather than an administrative, check. The whole administration, judicial, criminal, and police, is in the hands of the local Government, the occasions of interference being practically none: and (which is of the highest import) the Land Revenue Settlements, both as to principle and practice, are disposed of solely by the local Government. So also with the excise and minor sources of revenue; the only exceptions being salt and opium, on which, as Imperial sources of income, the rates of duty are fixed by the Supreme Government; though, in respect of salt, on a much lower scale at present, both in Madras and Bombay, than in any other part of the empire. The domestic administration is thus subjected to the minimum degree of control requisite to preserve the unity and stability of the empire.

7. As regards political relations, the action of the Government of India is naturally more frequent and effective, because these must more or less affect Imperial interests. Thus, the proposal by Bombay to establish ourselves at Quetta was negatived, because, among other reasons, it would have embarrassed our relations with the Chiefs of Khelat and Afghanistan. Our communications with Persia, the Porte, Muscat, the Wahabees, and the maritime tribes of Arabia, are all of a character in which the Supreme authority is of necessity concerned; many of them, indeed, are such as cannot be finally disposed of, excepting under the instructions of Her Majesty's Government itself. Of minor affairs, certain cases affecting the subordinate States of Jhunjheera, Kattiawar, and Kutch, have been referred to this Government by Bombay itself, and have been disposed of either in concurrence with Bombay, or with only such divergence of opinion as is to be looked for in the discussion of questions involving points of principle or important action. There has been correspondence about Baroda; but no interference of any moment. For the rest, the only matters that occur to my mind relate to establishments, and that (as before observed) more in connection with finance than general administration.

8. II.—We next come to the Lieutenant Governorships of Bengal, the North-Western Provinces, and the Punjab. These all lie to the hand of the Government of India as at present seated: the greater portion of their territories can be communicated with by post within four or five days, and the Governor General ordinarily is himself personally present in some part of each of them every year. Up to a comparatively modern date, the whole of these territories were administered directly by the Government of India. The North-Western Provinces was the first territory formed into a separate administration above thirty years ago, under a Governor, whose office was shortly after changed into a Lieutenant Governorship. Some considerable period after, Bengal was placed in the same position; and last of all the Punjab.

9. This form of Government is that which secures the greatest amount of direct personal action, the Lieutenant Governor having no Executive Council and being immediately responsible to the Governor General by whom he is, subject to Her Majesty's approval, appointed; and yet the Lieutenant Governor's range of action is to a very great extent untrammelled. The only appointments for which the previous sanction of the Governor General is required, are those of the Members of the Boards of Revenue; otherwise, the whole patronage of those territories is at their disposal. I do not remember any instance in which the Government of India has interfered with an appointment.

10. In point of internal administration, the freedom of action and degree of check are very similar to what prevails in Madras and Bombay, excepting that, from the personal relation of the Lieutenant Governor to the Governor General, the greater proximity to the seat of the Supreme Government, and the more intimate acquaintance of the latter with the Provinces concerned, the opportunities of control and direction are more constant, and the references from the local Governments themselves more frequent.

11. The North-Western Provinces and the Punjab are more hampered than the other Governments by not having any means of legislation excepting through the Supreme Legislative Council, which is not always sufficiently sensitive and alive to local exigencies; and which, even when so alive, does not always bring out the required measures in the most suitable shape. This could, however, be remedied by giving the North-Western Provinces a Legislative Council, or by enabling the Governor General in Council to legislate of his own authority for the North-Western Provinces, the Punjab, and other territories at the instance of the Lieutenant Governors or Chief Commissioners, a measure which I understand Mr. Maine to have in contemplation.

12. The interference of the Government of India is perhaps greater in the Punjab than in the other two Lieutenant Governorships. This arises probably from its having been under our rule a shorter period, and consequently the principles of action there being less matured and solidified than in the older Provinces. The leading and forward position of the Province, also its being bordered by wild mountain tribes, and the proximity of Afghanistan, constantly raise political questions more or less of an Imperial bearing, which are necessarily referred to the Government of India. The revenue settlements of the Punjab are likewise carefully reviewed by the Government of India, which, however, confines itself for the most part to general indications and principles. On the question of tenant right, certain instructions and suggestions have been lately given; but that was rather in consequence of the subject for a long time hanging fire, and of serious embarrassment being apprehended

apprehended if the local Government longer delayed to grapple with the difficulty. In these and other matters I am not aware that the action of the Government of India has had any tendency to weaken local authority; probably the local Government would be the first to admit that the effect was, on the contrary, to strengthen its hands.

13. I am strongly of opinion that the administration by a Lieutenant Governor, as above described, conscious that his proceedings are liable to scrutiny by an authority close at hand, but at the same time assured of a generous though discriminating support, combines in the highest degree promptitude, energy, and power. My long connection as secretary with the North-Western Provinces, under such men as Thomason and Colvin, and subsequently in the Sudder Board of Revenue under Edmonstone, enables me to speak on the subject with some confidence. I am sure that none of those eminent men would have felt otherwise than hampered by an executive council; and that the obligation to lay all matters before a council, and the necessity practically of carrying their council with them, would have checked the vigour of their government, tended to spoil the force and virtue of some of their best measures (as the village school system), and retard the despatch of business. They did not the less seek for counsel where it was needed; but they did so when and how they deemed expedient. Their course was left free, and their personal responsibility unimpaired, which it would not in the same degree have been if shared with a council.

14. III.—Chief Commissionerships of the Central Provinces, Oudh, and Burmah; Commissionership of Mysore; and Resident of Hyderabad *quoad* the Berar Districts.

15. The Provinces so governed have, for the most part, been for a comparatively short period under British rule; our administration requires to be adapted to them with greater pliancy, care, and caution, than in the older provinces; and undecided questions and principles are more frequently arising for solution. The territories, two, are smaller than lieutenant governorships, and the officers available for the charge are, as a rule, of less ripe experience and superior standing. On all these grounds the subordination to the Government of India is more complete than with lieutenant governorships, and references for guidance more frequent. But the general principles are the same; the only material difference being that the Government of India retains the power of sanctioning the land revenue settlements. That this interference is not exercised in a way to injure the vigor and virtues of a personal responsibility, is evident from the success which has attended the various administrations in question.

16. Mysore and Burmah are the only territories too distant for an effective supervision. A greater discretion is consequently left to these administrations.

17. Oudh will, no doubt, at no distant period, merge into the North-Western Provinces, by which it is surrounded. Mysore will part from our control; but under the existing state of feeling at Hyderabad respecting the Berars, it would be difficult to place them and the Central Provinces on any other than their present footing.

18. IV.—It will not be necessary to say much regarding the Residents and Political Agents. Their functions are so delicate and critical, and affect so closely the Imperial situation, that whether they are immediately under the local Governments, or directly under the Government of India, a perpetual watch on the part of the Government of India is necessary, and a constant reference by the political authorities to it for instructions. It would not be possible in this department to circumscribe the direct administration of the Governor General in Council to any material extent without dangerously weakening our position. The petty chieftaincies of Bundelcund might indeed, with great advantage, be made over to the immediate political control of the North-Western Provinces, with the territories of which they are inextricably mixed up. But (excepting Munnipore in Bengal) I know hardly of any other similar instance. The States of Rajpootana and Central India, Nipal, and Hyderabad, must lie under the direct eye of the Viceroy; and though the Punjab, from its close proximity to Cabul, forms the channel of communication with that power, yet all correspondence with it and other adjacent states must of necessity be referred to the supreme Government, for eventual, if not for immediate, action.

19. Such being an outline of the various relations in which the Government of India stands to the local administrations, we may now approach the question of whether the power of the local authority could in any respect with advantage be increased.

20. Speaking generally, it would hardly be possible materially to diminish the existing check of the Government of India over Bombay and Madras, without reducing the position of the Viceroy to a nullity. These Presidencies might indeed, and so might Bengal and any other part of the Peninsula, be placed in more immediate communication with the Home Government, and subject, in matters military and financial as well as in all other respects, to guidance direct from England. But that would be to make the Secretary of State virtually the Governor General of India. With an effective telegraph the system might work weakly indeed and slowly, but perhaps smoothly, while no storm lowered and all was peaceable. But are we sure of the telegraph? In an European war should we be sure even of our overland route? Supposing, at a season of strain and pressure, we were again thrown back on the long sea-voyage, how should we fare then, with a number of Governments practically independent of each other and of any authority in India, and with a

Viceroy who had little more than the name of a Governor General? The position would be alarming indeed.

21. But even putting aside such a contingency, the control of an authority so distant would be uncertain and vague. It is only in India itself that the reins of Government can be thoroughly grasped and effectively controlled. It is only close at hand that character and circumstance are fully known, and the check of authority powerfully felt. It is the nearness, celerity, and certainty of action which constitutes its vigour. From a distant country you may lay down general principles, but your control over details will be but fitful and feeble.

22. I need hardly mention the disadvantage to which a control, exercised direct from England, would be exposed from the frequent changes of Government, and from the sometimes sudden and violent oscillations of English opinion urging extreme measures at a distance from the country where alone an intimate acquaintance with the habits of the people and circumstances of the administration, enables the governing authority to form a sound judgment as to the expediency of their adoption. It is only in India that the fly-wheel, so to speak, which directly regulates the whole machine of Government can, with any regard to efficiency and safety, be placed. The immediate control of the whole empire must be in India.

23. Further, a common authority upon the spot is required to arbitrate promptly and decisively on questions arising between different administrations, especially where independent powers are concerned. I need only refer to such cases as the proceedings of certain officials of the North-Western Provinces last year against the Chirkaree Dewan; or the surrender of fugitives by Nipal and other native states; the action of the Bombay and Punjab authorities with reference to the border policy on the western frontier; and such like. Untold mischief might ensue from the prosecution by different authorities of differing principles and practice, unless quickly reconciled by the strong hand of a common superior. We should, at any moment, be exposed to the same embarrassment and risk as originally led to the consolidation of the paramount power in the hands of the Governor General.*

24. But above and beyond all these arguments, I submit that it is essential to our prestige that the Viceroy of India should, in the eyes of the people of India, be the impersonation of British power and justice, and not a simple shadow. India must feel that our empire here is, not a mere aggregation of separate governments, each working independently for its own ends, and weakly controlled from afar; but *one* empire, ruled by a single hand, the whole resources of the peninsula visibly at its disposal, and the entire army at its command. Anything which destroys this idea will seriously affect our prestige; and what is more, anything which destroys the reality will sap the foundations of our rule. The tendency should therefore be to concentrate the supreme power in India in the hands of the Viceroy; so that every communication from the several Governments shall lie only to the Viceroy, and the direction of the Home Government be exercised through him alone. The custom which has grown up in some quarters of referring questions direct to the Secretary of State, is calculated to foster false ideas of independence of the supreme government, and impatience of its legitimate control. The desire to shake off what has thus the appearance of an unnecessary yoke, to feel discontent whenever its pressure is experienced, and (it may even be unconsciously) to aim at entire emancipation, is just what under the circumstances might be anticipated.

25. Touching now the Bengal Government, there seem to be two proposals—one, to make it more independent of the Government of India; the second, to place it, with a Council, on the same footing as Madras and Bombay.

26. As to the first, it is remarkable that in the Orissa famine—the immediate occasion of this discussion—the main thing to be regretted is, that the Government of India did not enforce a timely inquiry such as the gravity of the crisis naturally suggested. It was in deference to the assertions and superior local information of the Lieutenant-Governor that the supreme Government refrained from insisting on earlier measures for relief. So far, then, as the matter in hand is concerned, late events would point rather to the expediency of a closer control by the supreme Government, than (as seems now contemplated) of a more independent form of local government, with less power on the part of the Viceroy to interfere. Certainly no case has been made out of the Government of Bengal having been, in any instance, weakened by the control of the Governor General in Council.

27. On the second point, namely, the erection of Bengal into a Governorship with a Council, I venture to refer to what I have said before on the promptness and vigour natural to a Lieutenant-Governorship, and the degree in which an Executive Council would act as a drag upon the wheels of Government. The change would, in my humble opinion, be for the worse.

28. This measure would be fraught with still greater injury, if it led to a change in the
seat

* Witness, for example, the embarrassments with Hyderabad in 1780, in consequence of the Government of Madras having suspended Mr. Holland, the Resident, for having obeyed the Governor General in the matter of the Guntoor Circar.

seat of the Supreme Government. The idea of a great empire like India at this time of day in search of a suitable site for its capital will, to say the least, not inspire respect. Moreover, any change of the kind, unless demanded by very strong and urgent reasons, would be in itself a serious evil. It would foster the idea of instability in our rule. All India has, for a century, looked to Calcutta as the "Dar us Sultanut,"—the seat and centre of British Government and power;—and now, for no apparent cause but that we wish to make the Government of Bengal a little stronger, we uproot this ancient capital and transfer our favours to some other spot. On a smaller scale, we committed the same error in the North-Western Provinces. First, the Government was established at Allahabad; then it was, at a great expense, transferred to Agra; and then, after the mutiny, it was put back again, at a further great outlay, and without any good reason whatever (excepting, perhaps, that the person of the Lieutenant-Governor would be safer there) to Allahabad. The result is a feeling that our measures are temporary and fitful, and the idea of transitoriness is reflected on our rule itself.

29. If it be desired to give the Lieutenant-Governor of Bengal more responsible advisers, the Board of Revenue might be split up into two *Chief Commissioners*. Each member already receives 50,000 rupees a year: and there are two secretaries—one of whom receives 30,000 rupees, and the other 28,000 rupees. One of the members with a secretary might be constituted a chief commissioner of revenue,* and the other a chief commissioner of circuit with a secretary. The former would be the responsible adviser in all matters of revenue; the latter in all matters of general administration. The immediate control of any branches or departments could, at the discretion of the Lieutenant-Governor, be committed to the chief commissioner of circuit, and this official might, at the pleasure of the Lieutenant-Governor, either accompany him on his tours, or be deputed on circuit or for local inspection and inquiry, as might be found necessary. Partly from the character of the population, partly from that of the revenue settlement, and partly also from the regularity with which the machine of Government moves, the administration of districts in Bengal has apparently become sluggish, and less alive than it might be to what passes amongst the people. Tours of inspection by such an officer as a chief commissioner of circuit, might prove of great value in exciting and maintaining activity and vigilance. I believe that the yearly circuits of the Lieutenant-Governor and Members of the Sudder Board of Revenue in the North-Western Provinces, are invaluable in this respect.

30. Supposing that the Lieutenant-Governorship is maintained, it would not, I think, be expedient to materially lessen the control and supervision to which that Government is now liable from the Government of India. Where the whole power of Government vests in a single individual, it is never safe to relax a certain measure of oversight. For, however good a thing it is to have the personal activity and responsibility proper to individual action, you are at the same time liable to personal idiosyncracies, to an over zeal or activity in some particular direction, and, sometimes, also, to the prevalence of a *crochet*, or (but this rarely) to remissness or unwillingness to grapple with some special question, or perhaps to neglect altogether some special department. Therefore a certain degree of control is indispensable.

31. But while I advocate adherence to the existing system in its general outlines, I think that wherever the grasp of superior control and check can be relaxed without risk of the local administration wandering from its proper position and duties towards India at large, or incurring otherwise any serious irregularities, such relaxation may with great advantage be conceded.

32. In matters connected with the army and foreign relations, no change in this direction can be admitted; and in domestic matters relating to the civil, judicial, criminal, and police administration, none is probably needed.

33. In finance, the imperial budget seems essential for any effective direction and control of the revenues as a whole. But some concession may be possible in the way of assigning certain taxes to be expended at the discretion of the local Government, that Government taking upon itself the discharge of certain corresponding items of charge, both receipts and disbursements being in so far transferred from the imperial to the local accounts. Large revenues from cesses (believed in Bombay to amount to six per cent. of the land revenue) are common under every administration, and are already almost unreservedly at the disposal of the local authorities.

34. So with the post-office, it must be managed as a whole by a director general under the Government of India. But advantage would accrue, I think, by making the post-masters general, in some respect, amenable to their respective local Governments. Life and vigilance would thus be infused, and active aid and assistance would be secured from the local authorities. I believe that the development of the *District* (interior) posts in the

North-

* The Sudder Board of Revenue at Allahabad has but one secretary at 2,000 rupees a month. It is true that the Calcutta Board has the opium, sea, customs, and some other work which the Allahabad Board has not; but at the same time the revenue system of the North-West involves a great deal more labour of supervision than that of Bengal. Eventually, when the settlements are concluded, a single member and secretary will probably suffice for the North-Western Provinces; and I do not see why one member and a secretary should not suffice for Bengal.

North-Western Provinces to which Mr. Colvin devoted a large share of his attention, was greatly retarded by the transfer of the department to the Government of India. The same remarks apply, but in a less degree, to the telegraph department. The sense on the part of the employes, of local supervision, and of an immediate eye being on them to check or to cheer, is always a material advantage.

55. The new departments of forest and irrigation, though subjected to a central direction, are very properly founded upon such principles.

Foreign Office, Simla, 28 September 1867.

(signed) *W. Muir.*

Enclosure 4, in No. 11.

MINUTE by Major-General the Honourable Sir *H. M. Durand*, C.B., and K.C.S.I., dated 27th February 1868.

THE Secretary of State has requested, in the 8th paragraph of his Despatch, that the important question on which he desires to receive the advice of the Governor General in Council should be considered, as well from an imperial point of view, and on its bearings on the general Government of India, as in relation to the effect it has upon the more limited question of the proper form of Government for Bengal. Every one will, I think, feel the justice of this remark, and that the problem of the best Government for Bengal can hardly be solved independently of the collateral questions, namely, whether Calcutta shall remain the seat of Government for the Government of India, as well as for the Government of Bengal; and whether the Government of India shall be stationary or moveable; tied to one spot, or perambulatory; or migratory from one capital to another, as an alternative metropolis.

2. Affecting these questions is the consideration that, in the course of a century the British power has passed from a struggling and nascent state to undisputed supremacy over the vast territories which now compose British India. It has, in fact, attained the natural boundaries of the empire; and, having reached these obligatory limits, it has ceased to be aggressive, and is compelled, by its own high interests, to prefer the consolidation of its acquisitions to further barren and unprofitable conquests, beyond difficult frontiers. For the future, secure possession and undisturbed progress in the material prosperity of its dominions must be its main aim. The days of conquest in extermination of rival powers, or for the extension of territory, are over; and those State exigencies, which formerly were a reason, especially when a Governor General was Captain General, for his presence (so to speak) in the field, have entirely ceased. Circumstances, therefore, present no sufficient reason for any departure from the systematic and deliberate form of administration which Parliament has, after long experience and mature consideration, ruled to be the best for the general Government of India; on the contrary, the existing condition of India removes all excuse for recourse to that exceptional mode of Government, viz., by a Governor General separate from his Council, which was only contemplated by Parliament as an extreme measure to meet extraordinary dangers.

3. At the same time, though circumstances are such as almost imperatively to prescribe an orderly and regular general administration, and consequently, it might be thought, are equally favourable to a stationary Government, this is only partially the case, as the supervision and control of minor Governments cannot sometimes be effectively carried out from a distance. My Minute of the 7th October 1867, a copy of which I append, will explain at greater length the circumstances under which I think it may be sometimes absolutely necessary, in maintenance of its authority, for the Government of India temporarily to establish itself elsewhere than at Calcutta.

4. I can conceive circumstances arising in Europe which might also render it advisable, for the sake of rapid and early communication with England, that the Government of India should for a time be on the western, and not on the eastern coast of this empire. Even in connection with the Abyssinian difficulty, it might have been of advantage, had the Government of India early placed itself at or near Bombay. Events might happen on the Indus frontier to render its presence desirable in the Punjab; or great administrative questions may arise, with respect to Madras and Bombay, which might render it expedient that the Government of India should for a time assemble in one or the other of those Presidencies.

5. It may be inferred from the foregoing that I deem it exceedingly undesirable to regard as permanent the practice adverted to in the 6th paragraph of the Despatch of the Secretary of State. So long as the Act of Parliament, which very properly sanctions such movements of the Government of India as are above contemplated remain in force, the adjournment of the Government of India to Simla can only be regarded as accidental. For such a purpose it offers advantages. House accommodation is more abundant than at other hill stations, and as some of these are now periodically occupied by local Governments, the Government of India could not resort to them without creating great inconvenience.

venience. But though these may be considerations of some importance, when the visits to Simla are occasional and dependent on the health of the head of the Government, Simla, viewed as a permanent alternative metropolis, presents many most serious drawbacks.

6. If time be of any moment in the affairs of this world and age, Simla would tie down the Government of India to the most unfavourable position that could well be selected with regard to postal and telegraphic communications. It is difficult to choose a point on the map of India that shall more successfully solve the problem of being as remote as possible from Calcutta, Madras, Bombay, and Kurrachee, and, of course, England. Whilst its position, three or four marches in the mountains, and on the left bank of the Sutlej, secures its being practically cut off from Lahore and the Punjab during the rains by the Sutlej and the Beas, and of course secures a maximum of delay in the postal and telegraphic communications with Lahore and Peshawur.

7. It is not, however, solely in the matter of postal and telegraphic communications that the position of Simla is objectionable. The annual migrations thither from Calcutta involve the loss of two months out of the twelve in the transaction of ordinary current business. From the time that the move from either end commences, to the time that the offices are re-assembled, and work is again in full swing at the other Government terminus, a month elapses. Thus, for two months, there is a *bonâ fide* paralysis of work. Besides this, however, another result ensues, which is very serious. For obvious reasons, the main part of the legislative work has to be got through in Calcutta, and the necessity of condensing into four, or at the utmost five months, and those very busy months for the executive Government, all that the Legislative Department may have to bring forward puts a strain on all concerned, that is, in my opinion, unfavourable to the satisfactory consideration and execution of this very important part of the functions of Government. It has been argued that the result is, on the whole, advantageous, as a check is thus put on too active legislation, and that the two months of dislocation of Government offices has also the beneficial effect of an enforced holiday, of a vacation much needed by the whole Government and its establishments, and a vacation that can be to some degree utilised, as affording an opportunity for assembling chiefs and holding durbars *en route*. There is some truth in these aspects of the question; but they can scarcely be admitted into serious consideration of the administrative question of the value of Simla as an alternative metropolis.

8. It was not until England possessed herself of Bengal that her progress to empire in India was assured. From that time the issue was certain. It has been with Calcutta as the head quarters of the Government that British India has attained its present territorial completeness. We must remember the inestimable value to a maritime power like England holding India on the tenure she does, of an Indian capital, with proper precaution, almost unassailable from the sea, yet in easy communication with it; secure, as the commercial capital not only of a rich province, but of the great Gangetic plain; and as a seat of Government, presenting the advantage of being in the midst of a docile and industrious population, requiring themselves but a very moderate force for the insurance of general tranquillity, yet a province of incalculable value as a military base. Such a capital cannot be lightly thrown up, in deference to vague apprehensions as to its salubrity being inferior to that of other parts of India, apprehensions to which the residence of Lieutenant-Governors, Judges of the High Court, Bishops, a large body of European officials, and a still larger body of mercantile men, give a practical denial. Natives from the Upper Provinces nominated to the Legislative Council may, no doubt, be reluctant to quit their own climates and homes; but in their case the expense of living in Calcutta has fully more to do with this reluctance than any real fear of the mild but beautiful cold season, during which they attend in Calcutta. The fact is that, from its proximity to the sea, the climate of Calcutta is much less an extreme climate, on the score of heat, than the climates of Allahabad, Agra, Delhi, and Lahore. It is absolutely certain that to change the seat of Government to any of these old capitals, or to any other site in the plains of India, would signally fail to remove the cause of migrations to the hills; it would intensify the desire to escape from the extreme of heat to a cool climate.

9. It will be understood from what has preceded, that whilst I am of opinion that Calcutta must remain the seat of Government, I am not in favour of fixing upon Simla as an alternative capital, nor of the annual migrations which such an arrangement involves. I think that the Governor General in Council should establish himself from time to time, in such places and for such periods as the exigencies of the public service may render advisable, but that these temporary transfers of the seat of Government should be regulated by other considerations than those of merely securing a cool climate, should, in fact, depend on great administrative and political reasons; and that purposes of good and effective government would be far better prosecuted by the Government of India remaining for a year, or even two if necessary, in one place, than by the constant dislocations of business inseparable from systematic migrations to and from Simla, or indeed to any other hill station from Calcutta. This view, however, is essentially allied with the fact that the Government of India has, in a great measure, ceased to be a purely executive Government, and that its functions are mainly those of exercising a general and an effectual control over the subordinate Governments and administrations, and a direct and positive control over the finances of India and the general legislation for this vast empire—a condition that can hardly be said to be fulfilled by its being half the year in Calcutta and half the year at Simla.

10. In reply to the first question, that put in the 12th paragraph of the Secretary of State's Despatch, I should therefore say that, accepting the fact that no change can or should at present be made in the site of the capital of India, I am so far from recommending that Bengal should be placed under a Government similar to that of the Presidencies of Madras and Bombay, that I should prefer seeing those Presidencies made Lieutenant Governorships, and assimilated to the form of Government which seems best for Bengal. Their Native armies are so reduced that they cease to be a valid reason for either separate commanders in chief or distinct Governments. The civil services would remain as they are, and there would be no radical change in any part of the civil administration.

11. With regard to the questions put in the 13th and following paragraphs of the Secretary of State's Despatch, I would reply that the only modifications which seem expedient in the form of Government for Bengal are—

1. That the Lieutenant Governor should have a secretariat council, *i. e.*, the secretaries should, *ex officio*, be members of his Council; but the Lieutenant Governor should only convene them as an executive council when he deemed it advisable.

2. The secretaries should, *ex officio*, form part of his Legislative Council, which cannot with advantage be abolished, and takes off from the Legislative Council of the Government of India much that the latter body could not execute half so well or rapidly.

3. The Lieutenant Governor of Bengal has quite enough to do without attending as a member of the Governor General's Executive Council, or as a member of the Governor General's Legislative Council. He should be exempt from both.

4. With respect to the question in paragraph 17, I think it should be in the discretion of the Governor General in Council to take up any local administration whatever; the Lieutenant Governor then taking his seat in the Council of the Governor General, but not his secretaries. In this respect I would make no difference between Bengal, Madras, and Bombay, or the North-Western Provinces and the Punjab.

12. With respect to the question put in the 18th paragraph of the Despatch of the Secretary of State, I think the law as it now stands far preferable. Any provision such as is sketched in the 18th paragraph would simply allow the Governor General to pack his Council, and to avoid the responsibility under which he now lies, when away alone from his Council. It would defeat the whole object of a Council, and be a premium on prolonged absences from the seat of Government, on prolonged suspensions of regular and orderly administration of affairs, and on unnecessary migrations. There might be circumstances of great and sudden emergency, though I have rarely known them, which warranted a Governor General proceeding from the seat of Government alone without his Council; but then it is essential that, under such exceptional circumstances of independent action, there should be no weakening of responsibility.

13. For the convenience of history, it may be usual to ascribe to the head of the Government, as to a Commander in Chief, all that is done; but to those who have looked into the actual conduct of affairs, and are conversant with facts, this conventional fashion of history is well known to be an utter fallacy, and that the men who in the administration of great Governments require no council are so extremely rare and few, that it is wiser to proceed in this respect on the experience of all time, than on any sanguine hope that providence has in store for India a crop of exceptionally perfect rulers.

14. For this reason, among others, I am extremely opposed to the grant of summary powers of legislation, to enable the executive authority to make regulations having like force of law, unless this power be very strictly limited in its application to outlying tracts, where the habits of the people and the state of barbarism is such that the introduction of our law or its systematic administration is alike incongruous and impracticable.

15. I see no necessity for separating Orissa from Bengal. Bengal, Behar, and Orissa are our oldest Regulation provinces.

16. I have before said that Scinde should be under the Punjab, and I remain strongly of that opinion.

17. Assam is so much connected with Bengal that it seems very inexpedient to separate it from that Government, even though a chief commissioner be appointed, a panacea which will not do much to restore its prospects unless the Bengal Government work cordially with him, and this it is more likely to do when under its authority than if detached from it.

18. The question whether the Board of Revenue of Bengal should remain on its present footing or be replaced by a secretary or financial commissioner is one on which I should be disposed to accept the opinion of the Lieutenant Governor. Great interests are under the Board of Revenue, and if that Board is replaced by a responsible secretary or a financial commissioner, or remain in its existing form, it should find place in the Council of the Lieutenant Governor. I am under the impression that, properly made use of, a Board of Revenue may be made a more effective instrument than a single secretary or financial commissioner

missioner, unless the staff of the latter be such that he can afford to depute them, or to be himself frequently absent from the local Government.

19. Since writing the foregoing paragraph, I observe that great stress is laid by the minutes of my honourable colleagues on the expediency of forbidding the practice of direct communication with the Secretary of State on the part of the Madras and the Bombay Governments. So long as they remain on their present footing, the relations of the local Governments of Madras and Bombay with the home authorities can scarcely be changed. They have existed from the time those Presidencies were first established; and are increased in importance from the proximity of Bombay to England. It is the distance of the Government of India, and the infrequency of its visits either to Madras or Bombay, which weakens its influence. Its practical acquaintance with those Presidencies is felt to be less than with Bengal, the North-Western Provinces, and the Punjab, and the exercise of its authority is, therefore, more questioned, and with some show of justice. But the remedy for this is not an injunction that would be inoperative, but that the Government of India act on the powers entrusted to it by Parliament with regard to Madras and Bombay, as well as to the North-Western Provinces and the Punjab. It would then speak with authority unweakened by alleged practical ignorance, or indifference, or jealousy. If we are to have a fixed alternative capital to Calcutta, I would rather see it at Poona, or somewhere not far from Bombay than at Simla; but if the Government of India passed about two years out of five at Madras and Bombay, we should hear little of its loss of weight and influence in connection with the subordinate Governments, even though the Lieutenant Governors for those Presidencies were appointed from England, as I think they might with advantage also be, to Bengal, the North-Western Provinces, and the Punjab, the Governor General being, with respect to all the local Governments, entitled to submit three names on the occurrence of vacancies, but the Home Government selecting from those names, or not, as it deemed best for the public interest.

20. In conclusion, I would observe that the real improvement of the Bengal administration lies deeper than in such refinements of the machinery of Government as have been touched upon in this minute. This top dressing, so to speak, does not touch the root of the evil. A docile, ill informed but industrious population, entirely in the hands of the zemindars with whom the permanent settlement is formed, are hardly in a position to make themselves heard or their wants known. Our district officers are few and their relations with the people distant, and functionally barred by the prevailing rights and interests of the intermediate and more influential class, with whom the fiscal relations of the local Government are close and constant. The zemindars are not the representatives of the masses in their material interests, but sometimes the reverse, that is, adverse rather than friendly representatives. Yet to gauge the feelings and wants and circumstances of dependent millions, where the points of direct contact and sympathy are so few, as under such circumstances they are between the European functionary and the ryot, is extremely difficult. In a word, the European functionary is, by the system, more isolated from the masses in Bengal than he is elsewhere in India, and, whatever the advantages of a permanent settlement, it certainly has the disadvantage of practically having created in Bengal a permanent barrier between the mass of the cultivators of the soil and the European officer, in the best, the only position in which acquaintance with the people is really a feasible accomplishment. To remedy this radical difficulty is a grave, large, and complicated question.

H. M. Durand.

MINUTE by Major General the Honourable Sir *H. M. Durand*, C. B., K. C. S. I.;
dated Simla, 7th October 1867.

THIS scheme for the disintegration of the Imperial revenues in favour of the local Governments is advocated on political and financial grounds, which appear to me to be incorrect assumptions, and, therefore, to want all real practical solidity. Although I regret the circulation of the scheme, as calculated to give more countenance to its entertainment than it merits, and as certain to evoke more or less of that clamour which the Government of India is said to be unable to resist, yet, unless much more potent reasons can be shown than any that have as yet been advanced, the replies of the local Governments consulted, however bagged by clamour, are not likely seriously to affect my own convictions on this important subject.

2. Without the smallest reflection on the high character of local Governments, this is a matter upon which they cannot advise with impartiality. To men in authority, control of any kind is generally much more irksome than agreeable; but, perhaps, the least palatable of all is financial control, and any curb on profuse local expenditure. However temperately exercised, it is sure to produce more or less of irritation, and sometimes, as we have experienced, a good deal of active official resentment. Such a feeling does not unfortunately expire with a Governor's tenure of office; for it pervades the official circle in contact with him, and becomes a traditional sentiment of opposition to the Supreme Government but too likely to be early and forcibly impressed on an inexperienced succe-

sor. The existence of such a traditional sentiment may be regretted, but can hardly be soberly admitted as a sufficient reason for a hasty subversion of a carefully elaborated financial system which, thanks to the labours of Mr. Wilson and Mr. Laing, is now first beginning to be properly worked and understood by every branch of the public service. Radical change under such circumstances is pernicious, and most inexpedient when wholly unnecessary.

3. Equally invalid appears to me the argument which, whilst dwelling on the ephemeral character of the Indian Government in all its parts, applies that peculiarity especially to the Governor General and the Government of India, in contrast with the minor local Governments. Manifestly, this objection, which is inherent in our administrative system, is not confined to the Government of India; but, whether for good or for evil, is equally the brand of all our local Governments. So likewise, the vague charge of liability to "special crotchets," which is associated with the ephemeral nature of the Government of India. We certainly have witnessed instances of special crotchets, falling in with popular fancies, driven to much greater lengths in the case of Governors of minor Presidencies than in that of Governors General; and, in one notorious case, the Secretary of State, Sir Charles Wood, showed that there was a limit to the patience of the Home Government in allowing an insubordinate Governor to contemn the authority of the Government of India. Although it is true that there are varying degrees of support given by successive Secretaries of State to the position and authority of the Governor General in Council, and that, therefore, there may be corresponding degrees of callousness to the rebukes of the Supreme Government, that stage has hardly as yet been attained when disobedience to the Government of India is sure of impunity from the want of firmness or vigour at the India Office in support of the paramount authority in India.

4. As far as crotchets, especially popular crotchets, are concerned, the Governor General, from the very constitution of his Council, is differently circumstanced from the Governors of subordinate Presidencies. Local Governments cannot be expected to prove free of local biases, and it is beyond their power of resistance not to be infected by whatever public fever of the moment may be plunging an influential local community into a wild career of speculation and extravagance. It is both easier and more popular to place itself at the head of such a movement than to have the boldness to attempt to check or control it. On the contrary, what Mr. Mill observed in the debate on Mr. Ayrton's resolutions is as applicable to the position of the Governor General in Council as to that of the Secretary of State in Council. "Gentlemen knew their own Presidencies, and those who were concerned in the administration of one had more or less prejudice against those who administered another. Those who were in Bengal knew less of Madras and Bombay than those who had access to the records of all the provinces, and were accustomed to deliberate upon and discuss them, and to write about them; and so with regard to each of the provinces. A larger view of Indian affairs, less coloured by imperfect information and prejudice, was obtained by a Council comparing its opinions than would be found in any Presidency." Now, as the legal Member, the financial Member, the Commander-in-Chief, and ordinarily the Governor General, are not Presidency men, and the three other Members are from different Presidencies and services, this dictum is fully as forcible in the case of the Governor General's Council as in that of the Secretary of State. But more than this, the Government of India has at its discretion that which the Secretary of State in Council has not, viz., the power of assembling wherever the Governor General may think its presence desirable; and although this power has not as yet been exercised, except in ordinary course at the Capital, Calcutta, and at Simla, that is, in the Bengal and in the Punjab Governments, yet it is provided for by Act of Parliament, with an evident intention that so important an element of practical control should not be a dead letter. The central authority in India has, therefore, in this respect, a more effective mode of active supervision than is enjoyed by the Secretary of State in Council.

5. All wars are, in a certain sense, a source of extravagance, as also, in an analogous sense, are a large class of great measures having the ultimate welfare and improvement of the country in view; and as the local Governments have long ceased to engage, *proprio motu*, in all such great operations, whether of peace or war, measures of that importance and magnitude being in the hands of the Supreme Government, it is an incontrovertible truism that, if the Indian public debt be analysed, it will be found to have been mainly incurred through Imperial, and not through local, extravagance. To all who consider the growth and development of this Indian empire from the state of mere commercial factories on the coast to its present dominion over the length and breadth of India as a huge mistake, if not worse, the process may, in a particular sense, be charged with extravagance; but a close comparison and investigation will satisfy any impartial mind, that never was a conquest of equal magnitude effected, from a purely financial point of view, on such favourable and profitable terms; and that where a war, such as the Affghan War, has proved a profitless drain on our finances, and a severe blow to our fame, the calamitous adventure was due, not to the military crotchet of a Governor General, but to the policy of the Home Government. To suppose that the dire necessity of war can be staved off by curtailing the resources of the Government of India, for meeting and prosecuting war when imposed upon it by the force of circumstances, or the orders of the Home Government, appears about as rational a procedure as it would be to scuttle our iron clads and dismiss our land forces, to prove to the world the sincerity of our peaceful intentions. If war, offensive or defensive,

defensive, come upon us, no fanciful restraints, due to an arbitrary distribution of revenue, will make the difference of the fire of a single cartridge. War hangs on no such gossamer threads. As far as mere war crotchets are concerned, it is notorious that it has been due to the steady repression of the Government of India that the traditional policy of the Scind frontier authorities, an advance through the Bolan Pass into Afghanistan, has not succeeded in committing us to an aggressive policy. From the time that Colonel Jacob first urged on Lord Canning action against Persia from the Scind Frontier, up to the present moment, it has been with difficulty, and only through the firmness of the Supreme Government, that the policy accepted without a murmur at Peshawur, and there honestly prosecuted in accordance with the instructions of the Governor General in Council, has not been contradicted by the pursuit of a different policy on our Scind frontier. War, moreover, is no longer in the discretion of the Governor General, who is, by Act of Parliament, compelled previously to take the orders of the Home Government before an aggressive shot can be fired. If so solemn a provision of an Act of Parliament should ever fail to restrain a Governor General, most certainly the delusive manacle of a fixed ratio of share of revenue to a minor Government must prove ludicrously inadequate to curb his martial ardour.

6. During my incumbency of the office of Foreign Secretary, I had the opportunity for four years of watching the degree of interference exercised in that Department over the expenditure of minor Governments. I recollect no single instance in which, under Lord Canning, Lord Elgin, or Sir J. Lawrence, the control of the Government of India was carried in financial matters, involving frequently considerations of much delicacy and difficulty, to an extent otherwise than salutary. Nor was there any question as to the effective character of the control. Since I have been a Member of this Council, and have watched specially the proceedings in the Military and in the Public Works Departments, and have paid attention to the general questions involving expenditure in the Home and Foreign Departments, I cannot recollect to mind any occasions in which the check of the Administrative Department was uncalled for, or the final review and decision of the Financial Department, not *primâ facie* right in principle. Decisions have been sometimes modified on further explanations; but the very necessity of having to furnish such explanations renders local Governments properly careful in submitting proposals for increased charges. Strange to say, the Government that has been treated with the greatest liberality, if not laxity, by the Government of India, is precisely that which has shown most disposition to evade, if not to oppose, the financial control of the central authority. There has been no difficulty in our financial relations with the Madras Government; on the contrary, with hardly an exception (one may cite perhaps the Police and the Godavery Works), nothing can have been more moderate and economical than the procedure of that local Government. There has been no difficulty with Bengal, the Punjab, the North-Western Provinces, Burmah, the Central Provinces, or Oude; on the contrary, all these administrations, which have been much more stringently dealt with than Bombay, have evinced no impatience under or repugnance at, the salutary control of the Supreme Government. Bombay alone has sought to turn away attention from numerous and, some of them, very gross cases of irregular and profuse expenditure by raising the cry of petty and vexatious interference on the part of the Government of India. Even the collapse of the Bombay Bank, owing to a purely local mismanagement, for which it is difficult to find terms of appropriate severity, was at one time gravely attributed to the dangerous interference of the Government of India; because Mr. Massey, when staking the treasure and credit of the Supreme Government in support of the imperilled Bombay Bank, called for precise information as to the real financial position of that institution. So far from thinking the control of the central authority to have been exercised in a manner too minutely critical and scrutinizing, I am strongly of opinion that the reverse has been the case with regard to Bombay; and I have always regretted that the untimely death of Lord Elgin prevented the adoption of a course which I more than once pressed on his attention, and the adoption of which he seemed disposed to entertain, namely, that six months should be passed in that Presidency in 1864 or 1865 by the Government of India. Such a visit might probably have resulted in a good deal not at the time palatable to the Bombay Government, though it might also have saved us from much that has subsequently happened. Be this as it may, however, I assert confidently that at present there is absolutely no ground whatever for the allegation that the financial control of the Government of India goes to undue lengths in what it attempts and miscarries miserably to the extent of the excess. On the contrary, any partial miscarriage of control in the solitary instance of Bombay, whose infractions of financial rules have been condoned by the Home rather than the Central Government, is no proof whatever that the rules are faulty, but that their relaxation is highly inexpedient, and that more rigid subordination to them should be enforced both by the Government of India and the Home Government. To subvert the financial control of the Central Government, because one out of nine Administrations has proved rather refractory, is about as sensible a procedure, to my mind, as to annul the Articles of War and the powers of the Commander in Chief, because a regiment should happen somewhat to misbehave. I venture to doubt the statesmanship of ruling either India or armies in this way.

7. I fail to see any analogy between English county expenditure, or American States expenditure, and that of Indian local administrations. Both systems are based on the theory and practice of the control of the people or their representatives. There is not a shadow of such control in the case of Indian administrations. Even in municipal arrange-

ments, except in a few places, the control of the people is a pure fiction; and even where it is not, as in Calcutta and Bombay, that result is already being experienced which is loudly complained of in almost all great cities in England and America. In Calcutta we have, in fact, long been engaged on a series of attempts to remedy the defects of local self-government; Bombay much the same, but rather worse. We are following in our experience very rapidly in the steps of London and some of the chief cities of England, as also those of America. In France and the other great Continental States, not only the capitals, but all the cities and large towns have more or less drifted from local self-government into something very different; though, often like our municipal committees in India, there remains a shadow and fiction of the defunct principle of local administration. If such be the case where there is a semblance of popular control over a municipality, as in Calcutta and Bombay, what can be expected where, as in the case of local Governments, all control by the people is entirely ignored, and the only real practical control that remains is that of the central Government.

8. I am not aware that anyone advocates petty interference in a particular class of public works. I certainly do not, though I am in favour of a carefully general control and supervision over all that class of important public works which are of that magnitude as to demand the increase of debt in the form of loans, guarantees, and the like. The only condition on which we can expect British capital to risk itself in the fertilization of India, and in its general progress, is that capitalists shall have the security that the Imperial revenues are not to be frittered away to meet the caprice of local Governments. Capitalists know well that centralization, with respect to the receipt and allocation of public means, is synonymous with economy, with a just distribution of available assets, and with a correct view of the relative wants of the different provinces of the empire. This is a duty which cannot be delegated to those not in a position to take a general, as contradistinguished from a local view, without at once shaking the confidence of capitalists. Practically they rely upon the Imperial revenues of India as a security for the money they embark; but if a sixteenth of that can be permanently alienated on such grounds as are now proposed, there is nothing to prevent the process being enlarged to an eighth, or a fourth, or a third. Indeed, we were candidly told that the permanent alienation of revenue might rise gradually, from two and a half millions to fifteen millions, manifestly a general ratio such as a sixteenth contains no single element of reasonable satisfaction as to its permanence. It presents no financial principle whatever, but that of opening a wide door for the demand of further alienations of Imperial revenue. No Government will be content, and as the scheme provides for supplemental grants, strict adherence to the specified ratio will be impossible. The scheme will thus have diminished the means of compliance, at the same time that it stimulates the demand for large assignments. The diminution of friction will be altogether ephemeral, if indeed there be any; for we have seen how at once Bengal, when consulted, claimed a larger ratio. With every augmentation of the ratio of alienation, the power of the Supreme Government will be curtailed in the adaptation of expenditure to real requirements. It will be more and more crippled, and less and less able to meet great emergencies. As financial control, too, passes from its hands, the reality of its power will evaporate; yet India must be governed; and as I have no faith in the Government of India by perpetually changing Secretaries of State at Westminster at the head of a confederacy of local Governments and Administrations, in supersession of a Government of India on the spot, I greatly deprecate the reduction of the authority and power of the Governor General in that essential, not only of all power, but of all good government, the effective control of the Imperial revenue.

9. Mr. Lushington's note, which is, in my opinion, a very sound exposition of the existing system, renders it unnecessary for me to analyse the scheme now proposed in greater detail as I had intended. I concur with the Governor General in most of the observations contained in his Excellency's Minute, and, therefore, abstain from mere recapitulation.

(signed) *H. M. Durand.*

Enclosure 5, in No. 11.

MINUTE by the Honourable *H. S. Maine.*

My opinion on many of the questions put to us by the Secretary of State will necessarily possess much less value than the opinions of those of my colleagues who have had a larger experience of India. I have, however, been nearly six years in charge of the Legislative Department of the Government of India, and I may, therefore, venture to claim some degree of attention for the conclusions I have come to on the points raised by Sir Stafford Northcote in his 16th and 19th paragraphs, which relate to suggested changes in the machinery of legislation.

I am strongly in favour of restoring to the Executive Government that power of legislating for the less advanced portions of the country which it once possessed in fact. It might, perhaps, be enough to point out that, if there had not been a general belief in the existence of that power, there would almost certainly have never been a formal legislature in India. Lord Dalhousie, when he pressed for the establishment of the first Legislative Council,

Council, unquestionably believed that his Government possessed the same legislative authority over non-regulation territory which the Crown exercises over Crown colonies up to the moment of according to them distinct legislative institutions. The legal correctness of the doctrine on which this claim to legislate "executively" rested was indeed strongly denied by my predecessor in office, Sir Barnes Peacock; but in practice the Government continued till 1861 to act as if it possessed the power in respect of all the outlying and newly annexed provinces. At length, however, the Indian Councils Act of 1861, according to the better construction of its language, took away from the Executive Government all legislative authority over non-regulation territory, at the same time that it gave the force of law to all the rules which had been made in the belief that the authority existed. The intention of the Statute of 1861 seems to be that local councils shall gradually be established in all the provinces of India. As a matter of fact, however, it has not yet been found possible to establish a local legislature even in a part of the country so long settled and so well understood as the North-Western Provinces; and the result is that no new law or rule which is required for any province other than Madras, Bombay, and Bengal Proper can be sanctioned by any authority in India other than the Supreme Legislative Council, sitting usually for three or four months in the year, and almost exclusively at Calcutta.

The absolute denial of legislative power to the Executive Government, as it affects the wilder and less civilised portions of India, is most inconvenient, and, I venture to think, most dangerous; for it comes to this, that the Executive Government can do no act unless there is a known rule to back it. This might be all very well, if India was, what China was once supposed to be, a country in which there was a rule for every possible contingency. But the government of the country is an experiment conducted under perpetually changing conditions. Those who know most of the people in the outlying provinces probably know but little of them; mistakes are constantly discovered which ought at once to be corrected, peculiarities of character and feeling unknown before have suddenly to be allowed for, and new circumstances arise to which measures must be moulded. As matters stand at present, the government can do nothing without coming to Calcutta for a formal law, the reasons for which it is often not easy and occasionally not safe to assign. Moreover, the law in question has to be asked from a council which is not really responsible for the peace and good government of the territories to be legislated for. No doubt in practice the legislature shows great good sense by accepting these laws from the local functionaries without questioning them. Still it is just possible that a law imperatively required for the safety of the Trans-Indus frontier or the peace of the wild country in the Central Provinces might be refused; and, if so, what responsibility could be fixed on the members of the Civil Service from Madras, Bombay, or Bengal Proper, or on the gentlemen belonging to the Calcutta mercantile community, who sit in the Council? Yet public opinion in England exacts from the Executive Government of India the responsibilities of a despotism, even over the more settled provinces, to a much greater extent than is commonly believed here, over the wilder provinces, absolutely.

Nor must it be left out of account that the public debates in the Council, which in my judgment have an excellent effect (so far as they go) on the civilised and settled Provinces might do us great injury in the rest of India, to which they are sure to penetrate, if they do penetrate, in a distorted and falsified shape.

To the other question asked by the Secretary of State, shall the Local Bengal Legislature be abolished, and its functions transferred to the Supreme Council? I am compelled to give a very decided answer in the negative. I greatly regret that on this point I am at issue with his Excellency the Viceroy.

His Excellency has remarked that the Bengal Legislative Council does not possess the same weight as the other local legislatures. I certainly have observed that there has been in some quarters much disparagement of the Bengal Council, but I strongly suspect that, if we knew more of the Madras and Bombay legislatures, we should find them not less roughly treated by the local press. There is one additional reason for not giving any extraordinary weight to these adverse criticisms. Their authors are obviously, and no doubt honestly, desirous of chaining the government of India to Calcutta, and no more promising expedient could be devised for this object than compelling the Supreme Council to undertake the whole local legislation of Bengal Proper. I quite understand, at the same time, that the Viceroy has very different objects in view when he proposes the suppression of the local council, and it is curious to reflect how very little pleasure it would give to the assailants of the Bengal Council to be taken at their word in the sense in which his Excellency would take them.

Looking simply at the proposal to suppress the local council and transfer its duties to the Supreme Council, I am opposed to it on a variety of grounds. Speaking from my own observation, I think the Bengal Legislature does all its work reasonably well, and a good deal exceedingly well. And, whether it does it ill or well, I am quite sure that the Supreme Legislature would do it a great deal worse. It is indeed possible that the local council sometimes addresses itself to subjects which could be better disposed of by the Governor General's Council. But, if that be so, the fault is attributable to the Supreme Government and the Supreme Legislature, since the Supreme Council can take any subject it pleases out of the hands of the Bengal Council and can supersede or repeal its legislation.

The effect of the transfer of the Bengal business to the Supreme Council would be, as far as I can see, to break it down altogether. In my humble judgment, we have already too much in the Supreme Legislature of what I hope I may call, without disrespect, the

"parish-vestry" business of the North-West, the Punjab, and the chief commissionership. There is before us at the present moment the most important law which it has ever been proposed to apply to India, not even excepting the penal code. The Indian Contract Bill, which the Indian Law Commissioners have prepared, and which we hope to apply to all classes in India, will affect the every-day transactions of one of the most industrious populations in the world, and most thoroughly imbued with the commercial spirit. It would not be too much to say that if the Select Committee on this Bill met during every working hour of the week, it would not be time wasted; yet I have not been able to allot to this Committee more than one afternoon a week, merely because we are busy in discussing such questions as what is the best way in which municipal committees in the north-west can abate petty nuisances, and under what restrictions they shall be allowed to borrow money for the digging of tanks. The legislation of the Bengal Council would be a crushing addition to our work. It must always be very heavy, for Bengal Proper is a law-abiding province; and it must also be very minute, since it will have to govern the concerns of a population with a very decided turn for law, and since it will be exposed to examination by dignified courts composed of subtle and wary lawyers.

I object further to the proposal because it will entail a very unsatisfactory change in the composition of the Supreme Council. Nothing to my mind can be plainer than the principles on which that Council should now be constituted. We require gentlemen who can explain the practical difficulties which attend the application of laws to parts of India in regard to which European experience or received European principles play us false. We require to know what view of a tax will be taken by a half-reclaimed Pathan marauder on the other side of the Indus; what will be the effect on Marwarree traders in Guzerat of a change in the law of negotiable instruments; what difficulties will arise from altering the received rule of "market overt" among the cattle-stealing populations on the border of the Native States. We need the aid of authorities on the intricate land revenue law of the temporarily settled provinces, on the heterogeneous land tenures of the Punjab and North West, and on the multitudinous family and clan customs characteristic of all North Western India. But if we undertake to legislate for all Bengal Proper, we must in justice to that wealthy and civilised province, half fill the Council with Bengal Civilians and educated Bengal natives, classes both so leavened with European ideas that they will be of little or no use in helping us to ascertain the modifications of first principles which are the conditions of their application to India as a whole. Speaking from my own experience, I should say there would be no more dangerous ingredient in a Council than a large number of educated Bengalee natives. No body charged with the conduct of the Legislative Department will ever fail to be inundated with their proposals for legislative innovation; and, if those proposals are serious, all I can say is that there are many of them which Bentham himself would have thought premature.

Conversely, I think, Bengal will suffer from not having liberty to discuss and enact a certain class of measures in an assembly composed of Native and European gentlemen exclusively familiar with the province and the people. The province stands by itself, in respect of the character of the Native population, the large admixture of Europeans, the peculiar nature of the Revenue Settlement, and the absence of institutions which are the basis of society in other parts of India. Many things are practicable in Bengal Proper and many things are desirable which are not practicable or desirable elsewhere. I do not see why the moral and material progress of Bengal should be impeded by the doubts of gentlemen intimately acquainted only with the less intellectual and less supple population of Upper India.

So far from compelling the Supreme Council to undertake more local legislation, I would gladly see its functions narrowed in the main to the consideration of financial measures and of the portions of the Code successively sent out to us by the Indian Law Commissioners. I am sure that all the time economised through the diminution of local legislation would be well expended on the measures I have mentioned. Wherever the power of summary legislation cannot be reasonably exercised, I would establish a small local council, only avoiding the mistake into which the present local legislatures seem to me to have fallen, of having regular and periodical sessions. I entirely agree with Sir W. Muir that the North West is entitled to a local council, but it should only meet when legislation is actually wanted, and should not always sit with open doors.

The Viceroy, in advocating the abolition of the Bengal Council, contemplates further changes which would, to a certain extent, obviate the objections I have taken. He would "grant the power of summary legislation for the whole of the Bengal Presidency and its dependencies." And he would, no doubt, say that a great deal of legislation would be got through under the summary power, so that no great additional labour would be thrown on the Supreme Council.

His Excellency will pardon my arguing that, so far as regards Bengal Proper, the change he proposes, which is certainly very serious, is also of very doubtful expediency. Nobody with the least self respect would care to echo those assertions of the inherent rights of Englishmen which are sometimes current here. Yet, in settling the legislative mechanism fittest for this province, we cannot quite put aside the fact that the powerful class consists of Europeans, and of educated Natives who, when their interests allow it, write, talk and think as much like Europeans as they can. We cannot give this class representative institutions; but it is a very serious matter to withdraw from them a formal legislature when they have once had it, and to subject them to that concrete form of despotism which consists in the complete blending of executive and legislative power.

No

No doubt there would still remain the Supreme Council. But it would only be called into action when the Executive Government chose, and I presume that it would never have measures submitted to it on which the Government disliked debate, or to which it feared serious opposition. Now to take the last contingency first, the cases in which the Government could not carry a measure either in the Supreme or local Council by putting forth its full strength must always be very rare, and, if they did occur, I should venture to think that there was a good deal to be said on the side of the opposition; and, under any circumstances, I think it would be much better undisguisedly to pack the Council than to dispense with its share in legislation. The other advantage to be gained, the avoidance of public debate, is in my mind the reverse of an advantage in the more civilized provinces. So far from its being desirable that we should legislate without giving reasons for our legislation and without meeting objections to it, it seems to me that the want of power to defend our measures is our great weakness. We stand alone among the Governments of the civilised world in having no means, except the most indirect, of correcting the honest mistakes or exposing the wilful misrepresentations of a completely free press. It would be unjust to say that we are always unfairly treated, but the Governmental side of most of our measures is seldom perfectly brought out, and not at all when those measures are unpopular. Yet it is quite idle to say that the public opinion which is thus arrayed against us is of no importance to us. It penetrates to England through the compendia of Indian newspapers which circulate there or through the correspondence of the English press. Languid as is the interest of England in India, English opinion of public measures and men in this country is apt on the whole to follow Indian opinion, which thus becomes a real power. So far from thinking it desirable to add to the weakness of this Government by placing it under a temptation to shrink from publicity, I would myself prefer to relax in some degree the precautions taken in the Indian Councils Act to prevent the Indian Legislature from giving itself the airs of a Parliament, and I should like to see effect given to the proposal of one of our colleagues that even executive measures should be occasionally discussed in public, provided that it were done by the express permission of the Governor General, and only in the Supreme Council.

When I say that I am rather in favour of multiplying the local Councils than of diminishing their number, I must not be understood to argue against a measure of a very different kind, the drafting or revision of all local legislation in the legislative department of the Government of India. Some such expedient for securing technical uniformity in legislation seems to me very desirable, and I hope shortly to circulate some proposals on the subject.

I do not propose to give any opinion on the other questions asked by the Secretary of State until I have had the advantage of reading the Minutes of those of my colleagues who have had an exclusively Indian training; but a fact bearing on one of these questions is conveniently mentioned here, because it has been exclusively brought home to me by my experience in the Legislative Department.

Nobody who has watched the changes which have occurred during the last five or six years in the composition of the Legislative Council can fail to have been struck by the steady deterioration, in point both of social rank and of mental calibre, of that native element from which so much was at first expected, and to which so much importance is still attached at home. When the existing Legislature was first established it included a sovereign prince, the first statesman of the native territories, and a wealthy gentleman, of a historical family, of much influence with his countrymen, and of singular sagacity. We have now two Bengalee gentlemen, of whom one was for many years of his life a Government servant, and a zemindar from the north-west; all three very respectable, but none of any extraordinary weight. The result of my experience during these five or six years is, that we cannot get the men we want, and that, when we get them, we cannot keep them, or have the greatest difficulty in keeping them.

His Excellency the Viceroy has the nominations to the Council entirely in his hands, and it is to him that applications for his sanction to the departure of native members are addressed. He is aware how many times and by whom the seats in Council have been declined, and whether or not the native members exhibit anxiety to get away. I shall be surprised if he has not observed that there is the utmost reluctance to come and the utmost hurry to depart, and if he does not attribute both to the fear and detestation with which the climate of Calcutta is regarded by all natives of India not born in Bengal or indeed in the vicinity of Calcutta itself. We have seen a semi-sovereign chief reduced by these feelings to such a pass, that after two or three days' stay he slipped away in the night, leaving a medical certificate behind him; and I state the impression repeatedly made on myself when I say that the discomfort of those native members who do remain is sometimes quite pitiable.

I am expressing no opinion of the value of the native element in Council, and no final opinion on the question of the seat of Government. There are many considerations which obviously make in favour of keeping the Government of India in Calcutta during at least a part of the year; and, speaking from the point of view of my own duties, I attach great importance to the influence of the legal opinion of Calcutta on our codes, and of its mercantile opinion on our fiscal and financial legislation. But if the fact which I have noted, brought home to me as it has been by certainly a limited but still a very marked and peculiar experience, be really a fact, it seems altogether absurd to leave it out of account in arguing the question of the future seat of Government. It may be proper or quite inevitable that Englishmen should sicken or die in Calcutta, or those, again, may be right in whom the denial of its salubrity appears to excite a very sincere indignation; but it is surely a strong thing

to assert, without hesitation or reserve, that Calcutta is the best or the only possible capital, if it be true that the vast majority of those who are to be governed from it refuse to come near it. There is another country, Italy, in which the "question of the capital" is also the question of the day. The difference between the two cases is, that Rome has a history, and the Italians beyond all doubt wish to go there, whereas it is really difficult to say that Calcutta was ever the theatre of any occurrence more considerable than the tragedy of the Black Hole, and the natives of India appear to be desirous of keeping as far away from it as they can.

27 February 1868.

(signed) *H. S. Maine.*

Enclosure 6, in No. 11.

MINUTE by the Honourable *G. N. Taylor* on the Proposed Changes in the Government of Bengal, dated 27th February 1868.

I HAVE long been of opinion that the chief remedy for what is admitted to be defective in the local administration of Bengal will be to strengthen the position, authority, and responsibility of the Lieutenant Governor; and this, as it seems to me, can only be done by making him a full Governor, assisted by an Executive Council, after the model of the Governments of Madras and Bombay. To give the Lieutenant Governor a strong secretariat, and even to vest the secretaries with the executive functions of councillors, in addition to their ministerial duties will not, I venture to think, be sufficient. What seems to be required is, the opinion and advice on important subjects of men who are in an independent position, whose knowledge and experience will materially assist the head of the Government in all difficult matters, and add weight and authority to his decisions and acts.

Differences of opinion are, for the most part, satisfactorily reconciled by free discussion in a Council constituted like those of the minor Presidencies; and a reference to past records will probably show that whenever important measures proposed by the head of the Government have been modified or withdrawn, in consequence of the opposition of his Council, the result was usually beneficial to the public interests. And further, if the personal experience of the present and former Governors of those Presidencies could be consulted, I believe it would be generally admitted that whatever success attended their administration was due, in a very great degree, to the assistance derived from their Councils. That without them it would have been impossible to carry out the various reforms and measures for the public good, which the presence of a Council enabled the Governor to accomplish.

To take the case of Munro or of Malcolm, both cited by the Governor General, the success achieved by those eminent men, and the good accomplished under their rule, are mainly to be ascribed to their intimate knowledge of the people and the territories they governed. This was acquired by moving among the people, seeing with their own eyes, and ascertaining by thorough personal inquiry on the spots the wants and capabilities of every Province within their charge. And the circumstance which enabled them to do this was the existence of an Executive Council, by whom, during the Governor's absence from head quarters, the ordinary business of the administration was transacted. Satisfied that the machinery of Government was moving on without impediment, and relieved of the pressure of current work of routine and detail, they went wherever their presence was most required, to stimulate the district officers, to give heart to the people, or to initiate measures which they alone could effectively set in motion.

Similarly, a Governor of Madras or Bombay at the present day, leaving his Council at the Presidency to dispose of current business, and accompanied by one of the secretaries to Government, visits the various Provinces, where his presence is either useful or salutary, without any anxiety or apprehension, such as was felt by the late Lieutenant Governor of Bengal in reference to the calamity in Orissa, that a prolonged absence from the seat of Government would retard public business and accumulate arrears in every department, to an extent beyond the power of any one man to cope with.

Experienced Indian administrators, like Sir George Clerk and Sir Bartle Frere considered, I believe, that as Governors of Bombay they derived most important help from their Council; not only in respect of the considerations I have already noticed, but because, without a Council, it would have been almost impossible to manage the large European population at the Presidency.

Whatever may be the case as regards Asiatics, the fact seems to be that the opinion or authority of one man, even in the position of a Governor, has not, on executive and administrative questions, the same weight with Englishmen as that of a Council presided over by a Governor.

As regards the North Western Provinces, where, as Mr. Campbell has remarked, the officers of Government have but a single people and a single language to deal with, I should be disposed to defer to the opinion of Sir William Muir. The promptness and vigour which he holds to be natural to a Lieutenant Governorship might possibly be impaired, and the success of the administration generally be injuriously affected, by a change to the more cumbrous machinery of an Executive Council. But, for a country so extensive,

sive, so populous, and of such varied features as Bengal, and for a metropolis like Calcutta, containing so large a European society, and representing the social and commercial interests of a vast proportion of the Empire, the Governor will always require the weight of other opinions to aid his own, and such effective support could only be afforded by the presence of independent colleagues in Council.

For these reasons I am in favour of giving Bengal a strong Government in the form of a Governor and Council. The business of the administration would then be distributed among the different members, as is the case in the Imperial Council and in the Councils of Madras and Bombay, all ordinary references being disposed of, on his own authority, by the member of Council in charge of each particular department. The Governor's tours would then be performed without the obstruction to public business which now occurs, and the thorough efficiency of the administration would be secured.

As to the contemplated abolition of the Board of Revenue, the re-arrangement of the secretariat, and of the details of the administration generally, it would not become me to express a decided opinion; the Lieutenant Governor, probably, will himself recommend whatever changes appear to him desirable. I may, however, be permitted to say, in general terms, that I should be inclined to give the Government a strong secretariat, such as is found necessary in the other Presidencies. I would abolish the Board of Revenue, and reduce very considerably the number of Commissioners; or, I would retain a Board composed of four Commissioners for the four large Divisions of Bengal, as suggested by Mr. Campbell, and abolish the present Commissioners. In the latter case, it would be necessary to increase the power and responsibility of Collectors, and place them somewhat on the same footing as in Madras and Bombay. So far as I can learn the time of the district officers in Bengal appears to be occupied with civil work, which is the proper business of the courts; and recent events would seem to show that they are too far removed from the people, and, under the present system, ignorant of their real wants and of matters affecting their closest interests. All this might, I think, be remedied by giving Collectors a larger and more independent control in executive matters.

In the event of the Government of Bengal being re-constituted as above proposed, I think that the privilege of direct correspondence with the Secretary of State must be also conceded. I believe the instances to be extremely rare where any serious inconvenience to the public interests has resulted from the exercise of a privilege which the Governments of Madras and Bombay have always enjoyed. Nor do I think that the authority of the Government of India is of necessity weakened, or that the final responsibility which attaches to the Governor General for the order and good government of the Empire is in any danger of being impaired, provided that this privilege be restricted within proper limits. If the practice be abused, and proper subordination to the superior authority is sought to be evaded by neglect of the usual forms of official courtesy, it is for the Secretary of State to step in and check the abuse.

No doubt some cases have occurred, within my own experience as a member of the Governor General's Council, where the action of the local Government has caused embarrassment, and was calculated to lower the authority of the Supreme Government. But such cases are, I hope, due rather to a temporary suspension of the loyal official subordination usually subsisting towards the Supreme Government, than to an habitual impatience of control.

If I thought otherwise, and I saw reason to fear that the privilege of direct correspondence with the India Office tended to the subversion of the control by the Governor General, and the practice were unchecked by the Secretary of State, I should be in favour of its immediate discontinuance, notwithstanding the inconvenience to which such a course would inevitably lead.

I earnestly join the Governor General in the hope expressed by his Excellency, that in extending the privilege to Bengal the opportunity may be taken of defining more precisely the limits within which the practice is to be regulated in future.

What seems to me of real importance is, that in all questions involving broad general principles of policy connected with the army and finance, or affecting our foreign relations, or those with other parts of India, reference should, in the first instance, be made to the Government of India, and no orders passed by the Secretary of State, except in cases of real emergency, until the opinion of the Governor General in Council has been received. But on mere points of local administrative detail, and cases involving sanctioned expenditure within the powers of the local governments, direct correspondence facilitates business and prevents delay. No useful object would be gained by conducting such correspondence through the channel of the Government of India, especially if it be decided, as I think it ought to be, that the Supreme Government should be migratory, and not stationary at one fixed head quarters throughout the year.

Holding the view I have above expressed respecting the future constitution of the Government of Bengal, my reply to the questions put in paragraphs 13, 14, and 15, of the Secretary of State's letter must be in the negative. As regards paragraph 13, the existing relations would be altered so far only, that greater power and responsibility would devolve on the Governor of Bengal. He would correspond directly with the Secretary of State, and exercise generally the same powers as are exercised by Madras and Bombay; and the Government of India would be relieved of much responsibility, as regards local details of administration, which it is impossible that it can properly discharge. The Calcutta community and the population of Bengal generally will view with favour an arrangement

which gives them a really responsible Governor, the Government of India will be free to go where its presence is most required, and Calcutta will cease to have any ground of complaint in respect of the removal of the Supreme Government to other parts of India.

In reference to paragraph 16, I am not in favour of the abolition of the Bengal Legislative Council. Such a measure would only be practicable in the event of the Lieutenant Governor being made a member of the Governor General's Executive Council, as Deputy Governor of Bengal, which I think would be a retrogressive movement. The existing checks, as exercised by the Governor General, seem to me sufficient to prevent hasty and imperfect legislation.

Nor do I think that summary legislation, such as is proposed by his Excellency, will meet the wants of our older provinces, though suitable to the circumstances of the more outlying portions of the Empire. I would not, however, give the North Western Provinces a separate legislature, but provide for an occasional sitting of the Imperial Council at Agra or Allahabad, where local questions might be specially brought forward, in the discussion and decision of which the Lieutenant Governor would then take part.

I entirely concur with the Governor General in thinking that Calcutta should be retained, for the present at all events, as the capital of India, and continue to be made the head quarters of the Supreme Government for a certain portion of the year. I think, however, that the presence of the Governor General in Council at Calcutta for three or four months of the year is quite as much as is required: the remaining months of the comparatively cool weather would be more usefully spent in visiting other parts of India, where the occasional presence of the Governor General, either with or without his entire Council, would produce a good effect. Wherever necessary, the Council might assemble for purposes of legislation at the locality where the Governor General may happen to be, the Council to consist of the executive members, and of the most influential residents, Native and European, who might be summoned for the occasion. The same course might be followed during the residence of the Governor General and Council at Simla or other station.

If a permanent change in the head quarters of the Government of India be determined upon, it seems to me that we must inevitably move westward to Poona or Bombay, for it is very desirable that the Governor General should be as near as possible to the Secretary of State, whether regard be had to the Imperial interests of India as a whole, or in view of any future possible crisis in Europe. The Abyssinian expedition was confided to Bombay solely in consequence of its close proximity to the India Office.

As regards Assam and Cachar, I should be in favour of their transfer to the immediate control of the Government of India under a Chief Commissioner, if Bengal remained a Lieutenant Governorship: but, if it is placed under a Government similar to that of Madras and Bombay, I think, looking to the intimate commercial and social relations which bind Assam to Bengal, it would be better to leave the Commissioner, as at present, under the general control of that Government. Should it be deemed necessary to relieve the Bengal Government of any portion of its present territorial administration, I think it would be preferable to transfer Behar to the North Western Provinces, with whose people and language it has more in common.

(signed) *G. N. Taylor.*

Enclosure 7, in No. 11.

MINUTE by the Right Honourable *W. N. Massey.*

UNDER the immediate pressure of business connected with the preparation of the Financial Statement, I am unable to give that full consideration to the questions raised in the Secretary of State's Despatch of the 16th of January, which their extreme importance demands.

I am unwilling, however, that the Minutes of my colleagues should go home unaccompanied by any observations on my part.

We are asked in the first place, on the assumption that no change is made for the present as to the site of the capital of India, whether Bengal should be placed under a government similar to that of the Presidencies of Madras and Bombay?

I am of opinion that it would not be expedient to alter the constitution of the Government of Bengal in the manner proposed. The conversion of Lower Bengal, the ancient seat of British empire, and containing the capital of India, into a full government, must necessarily impair the power and authority of the Viceregal Government, a result which would be ill compensated by any improvement in the local administration which such a measure might possibly effect. Not only the nobles and people of the territories under the dominion of the Crown, but the feudatories and rulers of the Native States, look up to the Viceroy as the direct representative of the Queen, and the ruler of India. But under a system which partitioned India into separate and distinct governments (and there is no sufficient reason why the great lieutenantcies of the Punjab and the North West Provinces should not ultimately be placed on the same footing as Bengal Proper), the Viceroy would become a mere shadow, the agent of the Secretary of State. This would be a fatal mistake.

I venture to think, however, that some of my honourable colleagues attribute too much importance

importance to the privilege of direct communication with the Secretary of State now enjoyed by the Presidential Governments. Exigencies may arise in which much inconvenience might be caused, if the Governors of Madras and Bombay were not permitted to avail themselves of their proximity to England to take the orders of the Secretary of State without passing through the circuitous channel of correspondence with the Supreme Government of India. It rests with the Minister at home to check any tendency to an abuse of the privilege; and without criticising too minutely cases in which the Presidential Governments have been allowed to act independently of the Government of India, it must, I think, in candour be admitted that the authority of the Governor General in Council has been on the whole upheld by the Secretary of State. It is not for me to express any opinion as to the policy of entrusting the management of the Abyssinian expedition to the Government of Bombay, but assuming that policy to have been justified by the peculiar circumstances, it is obvious that it would have been impracticable unless the local Government had had the power of communicating directly with the Secretary of State. But, while I would not withdraw this privilege from Madras and Bombay, it is objectionable in principle, and should not be extended to other Governments. If, therefore, it should be determined to convert Bengal into a Presidency on the model of Madras and Bombay, I would withhold the power of corresponding directly with the Home Government. Such a privilege would not only be unnecessary in the presence of the Governor General, but would be highly derogatory to his position and influence.

I do not think the present form of Government of Bengal, and the present relations between it and the general Government, can be materially improved. Under the existing system, the Lieutenant Governor of Bengal will generally be a civilian of experience and proved ability. Such a man, unlike the English statesman, who is generally appointed Governor of Madras or Bombay, is in little need of a council to aid him in the business of administration, and will derive the assistance which he requires more readily from the advice and information of his Secretaries in their official capacities than if they were associated with him as colleagues in Council. The tendency of a Council is rather to retard than to facilitate the transaction of business, and to relieve the head of the local Government from the responsibility which he ought to assume in performing the ordinary duties of administration. Upon all points of importance, reference should be made to the Governor General in Council. I fail to see any advantage which the Lieutenant Governor would have derived from the deliberations of a Council in dealing with the late lamentable events in Orissa. In that instance he was led into error by relying too much on the reports of a Board, and much that happened might have been prevented had he seen, judged, and acted for himself.

The Governor General in Council should, therefore, retain and strictly exercise supervision and control over the local Government as regards all the more important questions of policy and finance, interfering as little as possible in the details of administration, especially as regards those details which belong to the distribution of the public funds, placed at the disposal of the local Government for local purposes.

I am of opinion that it would not be expedient to restore the relations which formerly subsisted between the Governor General and the Presidency of Bengal, by summoning the Lieutenant Governor to the Council of the former. The Lieutenant Governor has quite sufficient employment for his time, in discharging the duties of his high office, without being burdened with the multifarious questions which occupy the Government of India. With most of these questions the Government of Bengal has no concern; and upon all matters bearing upon its interest, the Lieutenant Governor is of necessity consulted.

I would not, however, relieve the Lieutenant Governor from attendance on the Council of the Governor General for making laws and regulations. Such attendance is not very onerous, and the presence and advice of the head of the local Government add weight to the deliberations of a body which has not many elements of strength. Many of the subjects debated in the Council have reference to Bengal; and it is desirable that the Lieutenant Governor should take part in any legislation which affects directly or indirectly the territories under his administration.

I am likewise in favour of retaining the Local Legislative Council. Most of the business transacted at this Council is of a municipal character, connected with questions of local taxation, which are dealt with much more satisfactorily by gentlemen of local standing and knowledge, in some sort representative men, than they would be executively by the Lieutenant Governor. It is very desirable, however, that all legislation involving questions of general principle or State policy, should be withdrawn from the Provincial Councils as much as possible, and be discussed in the general Legislature.

But though I would not transfer the powers now exercised by the Local Legislature to the Executive Government, it is a different question whether the Government of India shall be entrusted with summary powers of legislation with reference to certain outlying portions of the empire which have not yet made much progress in civilization and political knowledge. I do not, however, see any practical reason for establishing a distinction as to the mode of legislation between one part of India and another. Whatever legislation may be considered necessary by the Executive Government for the less advanced districts, will be readily voted by a Council of which the official members form the majority; in which party spirit is unknown; and which, under its present constitution at least, has never evinced any disposition to thwart measures proposed by the Government.

I would, however, confer upon the Governor General in Council an exceptional power,

in cases of emergency, of legislating summarily for some of the more remote provinces; but I attach so much importance to the opportunity, the sole opportunity, which the constitution of the Indian Government affords, of explaining its measures and policy through the medium of the Legislative Council, that I am unwilling to withdraw any part of legislation from the field of open debate. Some modification of Section 23 of the Indian Councils Act would probably effect all that may be necessary. It is to be observed, however, that the extraordinary power of making ordinances given to the Governor General by Section 23 has never been used.

I think the protracted separation of the Governor General from his Council is much to be deprecated; and still more the detachment of one or two selected members from their colleagues to attend the Viceroy in his tour, whether of long or short duration. I can conceive nothing more calculated to cause political confusion, and to weaken the Executive Government, than to return to the former practice of the Governor General being in one place and his Council in another. If the head of the Government is a man of great ability and dominant will, like the late Marquis of Dalhousie, he will rule independently of his Council. If, on the other hand, the President of the Council at Calcutta is an able and ambitious man, he will be tempted to take the opportunity of asserting a policy of his own, antagonistic probably to that of the Governor General. If the senior member, who is President *ex-officio*, should happen to be a weak man, he will exercise no authority over his colleagues, and give no direction to their counsels. A Council at best, when limited to five or six members, as the Council of the Governor General, is not conducive to vigorous or even well-considered administration, unless it is guided and controlled by the strong hand of authority. Such authority can be exercised only by the head of the Government, and I would rather see the Council abolished altogether than a system established which should admit of the possibility of a public conflict between the Viceroy and his confidential advisers.

This brings me to the question upon the determination of which the administrative arrangements of the empire must, in a great measure, depend. I mean, of course, the retention of Calcutta as the capital of India, or the removal of the capital to some other site. Differing, with regret, from his Excellency the Governor General and the majority of my colleagues, I strongly incline to the opinion that the time has arrived for considering whether Calcutta shall continue to be the seat of Government. If it is desirable that native gentlemen of rank and influence should attend the sessions of the Legislative Council, it is certain, as Mr. Maine has shown, that members of this class cannot be induced to reside at Calcutta during even the most favourable period of the year. The repugnance of every Indian, not an inhabitant of Lower Bengal, to the climate of the capital, is a well known fact. But this repugnance is not confined to Indians. It is shared largely by English statesmen, who are deterred from accepting employments in this country by the same cause. The dignity and emoluments attached to high office in India would be sufficiently attractive to public men, if they were not accompanied by conditions which detract materially from their value. The prejudices against Calcutta may be exaggerated, but they are not to be reasoned away. It will not be soon forgotten that of the three immediate predecessors of Sir John Lawrence, one died in India, and two only survived to reach home; that Mr. Wilson died in his first year of office; and his successor, Mr. Laing, was forced to return to England in broken health the year after he came out. If the maintenance of Calcutta as the seat of Government is recommended by considerations of State necessity or policy, such considerations should no doubt prevail against the objections which have been urged. But I have not heard any such weighty reasons alleged; many of the arguments in favour of Calcutta can be readily anticipated. It is the ancient seat of British Empire. It is connected with old associations. A removal would involve heavy expenditure. All this must be conceded. In England we have long been familiar with similar arguments against removing the Courts of Law from Westminster Hall to a more convenient site; but nevertheless that removal is at length about to be accomplished. Bombay is the Indian port nearest to Europe; Calcutta is the farthest; and when the main lines of railway are completed, Bombay will be the most convenient port for passengers proceeding to, or departing from, any part of India. I do not presume to designate any site for the future capital; but a commission is not needed to point out the direction which inquiry on this subject should take.

Calcutta, 3 March 1868.

W. N. Massey.

Enclosure 8, in No. 11.

FURTHER MINUTE by the Honourable H. S. Maine, dated the 16th March 1868.

My observations as to the constitution fittest for the local Government of Bengal must necessarily be of a somewhat general character, and will, therefore, contrast disadvantageously, perhaps, with the opinions of gentlemen who speak from personal knowledge of the detail of administration.

I must confess that the very strong case made by the present Lieutenant Governor for placing Bengal proper under a Governor in Council does not seem to me answered in the Minutes recorded by Members of the Government of India; and I venture to think that in those Minutes much too little stress is laid on the presumption against the continuance

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of the Lieutenant Governorship arising from the terrible calamity which occurred at the close of the last incumbency. That presumption is so strong, that I regard the proposal to restore the Government of Bengal to the Government of India, or to make the Lieutenant Governor a member of the Executive Council, as in itself more logical than the conclusions of those who would either do nothing or carry out some small improvements in the Bengal administrative system. I perfectly agree with the Viceroy and my honourable colleagues in thinking that a closer union between the Government of India and the Government of Bengal would probably end in breaking down both Governments; but still there is a certain congruity between the magnitude of the proposal and the greatness of the occasion.

His Excellency the Viceroy has indeed contended, in effect, that if the late Lieutenant Governor had been other than he was, the disaster in Orissa would have been otherwise dealt with. This is probably true, but it is also true that the appointment of Sir Cecil Beadon to the Lieutenant Governorship of Bengal six years since was perfectly inevitable; as far as I know there was no conceivable competitor for the office, and neither the present Viceroy nor any other could have made a different selection. No one under present circumstances need be afraid of praising Sir Cecil Beadon, and therefore I will say that I do not happen to have met anybody of higher capacity, versatility, and resolution. Who could have predicted that the serene courage which (as Sir William Mansfield, who ought to know, tells us) sustained him and others during the mutinies would degenerate into unreasonable reliance on the infallibility of a subordinate department? I am not aware that there is any known contrivance for correcting this species of vicious bias in men of strong character and great ability, except forcing them to place themselves in contact and even in collision with other minds, possibly of inferior calibre. I will even say that, though a Lieutenant Governor had been selected who would have done more than Sir C. Beadon to mitigate the Orissa calamity, it is more than probable, considering the complex nature of all Bengal questions, that he would have fallen into formidable errors of another kind, and would equally have been the better of a Council.

It is further contended that if Sir Cecil Beadon had had a Council, the Members of the Board of Revenue would have been his Council, and the same results would have followed. It seems to me just as likely that one or more of the gentlemen now on the bench of the High Court would have been in the Council, but, even granting that the very gentlemen who constituted the Board would have been Sir Cecil Beadon's councillors, it does not seem to me at all probable that their common deliberations would have ended in the same way as their correspondence, at arm's length. Both the facts and the probabilities appear to point in the other direction. So far as any one incident in that sad history can be marked out from the rest as the one great source of misfortune, it was the despatch of the telegram in which the Board, speaking in the name of the "Government," peremptorily declared that no grain should be imported. I look upon it as all but impossible that, if the Lieutenant Governor and the Board had been combined in a corporate Government, this telegram could have issued without the Lieutenant Governor's knowledge; and Sir Cecil Beadon has distinctly stated that he disapproves of the intimation which it gave, and that if he had been consulted he would never have allowed it to go out. To what extent the course of events would in other respects have been changed by the closer union of the Board with the Lieutenant Governor can of course be only matter of conjecture, but that it would have been materially changed seems to me in a high degree probable. Sir Cecil Beadon displayed undoubtedly a too sanguine confidence, but he had not a particle of that tenacious faith in semi-scientific conclusions which characterised the Board. Had he stood in more intimate relations with its members, I think it likely that he would soon have found out how much of their opinion depended on facts, and how much on deductions from principles assumed *à priori* to govern the particular case.

No doubt the argument which I have just used may be turned against me, since it may be said that it at most proves the expediency of abolishing the Board; and I admit that this hypothetical case is an instance in which the Governor could probably have been more in the right than his Council. Councils are, however, instituted on the assumption that Governors are occasionally wrong, and require to have their views tested by attrition against those of other men. They are in the nature of an insurance against risk, sometimes the risk entailed by incompetence in the Governor, but sometimes also the risk entailed by ability coupled, as it may be, with lack of experience or one-sidedness. A member of an Indian Council can hardly contend for the value of the institution without ill grace or impropriety, but I may fairly point to the success of the Madras and Bombay Governments. The system of Lieutenant Governorships is, after all, extremely recent, and if it has exhibited some examples of brilliant success, it has also exhibited one terrible miscarriage. But through considerably more than a century the Governors in Council of Madras and Bombay have successfully conducted those Governments through difficulties scarcely less than the difficulties with which Governors General have had to contend in Upper India. I confidently assert that much of this success has been owing to the Councils. We have ourselves known some able and eminent Governors of minor Presidencies, and we have read of others; but it is impossible to read down the list of Governors without seeing that the great majority were not men of any mark. If, however, the system of Governors in Council has enabled a series of mediocre men to carry on a difficult Government for a century with great success as the ultimate result of the

experiment, I really do not know what higher praise can be deserved by any political system.

If, however, a Council be good for Madras and Bombay, I venture to think it much more urgently needed for the Governor or Lieutenant Governor of Bengal Proper. The state of society in the minor Presidencies is comparatively uniform, and the questions to be dealt with are simple. In both Presidencies almost all the land is in the hands of a peasant-proprietary. Except in a small part of Madras, the Europeans are collected in the Presidency towns; their interests scarcely ever conflict with those of the natives, and in Bombay the moral gulf between the races is bridged over by the Parsees. But in Bengal the problems are complex, many-sided, and of extreme difficulty. There is scarcely a single question which has not a European side and a Native side, a proprietor's side and a tenant's side, which has not to be regarded from the point of view of the educated and progressive section of Bengalee society, and again from the point of view of rigid Hindooism. He will be a bold man who pronounces an unqualified opinion on any Bengal question, and not a wise one who thinks that many of them can be solved without adjustment and compromise. No one mind can be trusted to make proper allowance for all the elements in such problems. To put the case as strongly as possible, I cannot admit that, even if it can be predicated of a particular person that he would have saved half the lives lost in Orissa, he ought, therefore, to be left to himself as Governor of Bengal.

And here I may remark that I do not precisely understand what is meant by a council of secretaries. If it is a contrivance for shackling the freedom of advice by giving the Governor advisers who may be dismissed at his pleasure, or who may look to him for preferment, I think it is little to be desired. The principle on which a Council should be formed seems to me sufficiently plain. It should be in a position not only to give but to obtrude advice, but it should not be allowed to compromise the policy of the Governor, or to obstruct a course of action once distinctly determined upon by him. The procedure which the Governor General and the Governors have to follow in overruling their Councils does seem to me somewhat cumbrous and antiquated, and I should gladly see it simplified by Parliament.

A Council organised in the usual Indian way has gradually and insensibly become something more than a merely consultative body. It has become a very excellent contrivance for dividing the labours of Government, without at the same time entailing that wide separation of departments which is characteristic of the Cabinet system. In India, at all events, the boundaries of departments are to a great extent artificial, and much time, paper, and red tape are saved by a system which enables the Members of Government occasionally to overleap these boundaries. The present Lieutenant Governor, than whom probably none of us have known a more conscientious worker, assures us that, with a Council, he may hope to dispose of the business of his Government, business of which the extraordinary amount, as disclosed in Mr. Grey's Minute, is probably a surprise even to those among us who were most prepared for the truth.

As an English member of Council, I may state my strong impression that the concession of a full Government to Bengal Proper will have a very wholesome effect on English public opinion, which knows little of Lieutenant Governors, but understands a Governor pretty well, and which will, accordingly, cease to impose on the Government of India a responsibility in respect of Bengal Proper which it is absolutely impossible for us to discharge.

If effect be given to the views of the present Lieutenant Governor of Bengal, I do not think that we need fear to face the consequences, even though they should amount, in the words of his Excellency the Viceroy, to making the Governor General Governor General only over the North Western Provinces and the Punjab. It may be well, even in India, to state what is really implied in this. The Government of India could still retain an authority which is admitted on all sides to be real and effective over the two Lieutenant Governorships just named, one including 30,000,000 and the other 14,000,000 of people. It would still govern directly through Chief Commissioners, who are only deputies of the Governor General, Oudh, with a population of 8,000,000; the Central Provinces, with 7,500,000; and British Burmah, with rather more than 2,000,000. Over the population of the Native States, amounting to nobody knows how many millions, the Governor General in Council would still exercise so much authority, at all events, as consists in preventing or punishing any conspicuous and flagrant wrong. He would, further, still retain by law the power of "superintending and controlling" the Governors of Madras, Bombay, and Bengal Proper, who rule together 70,000,000 of men, "in all points relating to the civil or military administration" of their provinces, and of compelling those functionaries to obey "his orders and instructions in all cases whatsoever" (3 & 4 Will. 4, c. 85, s. 65). More than all, the great centralized department of finance would be in his hands, implying, among other things, an effective control of public works throughout the whole of India. When to these duties is added the supervision of a vast European and Native Army, and the conduct of the external and internal diplomacy of India, the Governor General in Council must surely be admitted to be at the head of one of the most colossal Governments of the world, even though the local Government of Bengal should be allowed a greater degree of independence than is permitted to it at present. Indeed this enumeration of duties does not state the whole truth. Is it not the fact that India is daily becoming more difficult to govern; more submissive, certainly, as regards physical resistance, but more exacting in its demands for good, precise, and politic government? It seems to me a man must be very unobservant who does not perceive that a time is near

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at hand when either the duties of the Government of India must be ill discharged, or their sphere must be contracted. The present opportunity seems to me an excellent one for making timely provision against an inevitable future, by conceding comparative independence to a province which, after all, from the very necessity of the case, is even now pretty much left to itself.

The Secretary of State intimates to us that it is scarcely possible to keep the question of the constitution of the Bengal Government apart from the question of the seat of the Government of India. I myself do not see that there is any insuperable objection to the permanent or prolonged presence of the Government of India in the territories of a local Government which takes the form of a governorship in council; and I rather infer from Sir H. Durand's proposals that he is of the same opinion. Let us assume, however, that the higher dignity accorded to the Government of Bengal will render it more convenient that the Governor General in Council should be absent from Calcutta during, at least, part of the year, and that we are thus driven to discuss the evils or advantages of this absence. I have to ask whether it is really true that the system inaugurated by Sir John Lawrence, of periodical migrations between Calcutta and Simla has failed. Is there the least ground for questioning Mr. Grey's opinion, that it has added very greatly to the efficiency and dispatch of official work? Has it not, at the very least, so far succeeded that it may fairly be taken as the point of departure for further arrangements? These questions appear to me likely to be slurred over, through the natural hesitation which most of us feel in contending that what has been to some of us a personal benefit has also been a public advantage.

It must be borne in mind that every argument against Simla as an alternative capital has to be maintained in the teeth of the fact that for much of the last five-and-thirty years it has actually been the alternative capital, if capital be taken to mean the seat of the actual Government. Further, the actual Government of the country tended more and more to fix itself there. It is no mere conjecture when I assert that, if Lord Elgin had lived he would never have come near Calcutta again. He had already spent one summer in Simla, and of the three which appeared to remain to him, he intended to spend two at Simla, and one at some other hill station. The Commander in Chief had for some time lived at Simla almost exclusively. The truth is, the theory that Calcutta was the capital was preserved only by a fiction, and a fiction so transparent that, did I not know something of the power of fictions, I should wonder at men being blinded by it. The Governor General's Council remained there under a President, invested nominally with the full powers of Governor General in Council. In point of fact, however, a division of business was made between the Governor General in the Upper Provinces and the President in Council at Calcutta, on the principle of leaving to the latter all business which was of a simple, routine, or common-place character. Everything which was of importance went directly to the Governor General; and there was either a rule or an understanding that, if any matter which came before the President in Council assumed the least importance, it should be sent on to the Governor General.

The drawbacks on the position of Simla, which Sir H. Durand has stated with undeniable force, existed in former days, with many others which have since disappeared. Yet they did not, in point of fact, prevent the gradual approach of Simla to the status of a capital, and they have not been hitherto assigned, at least not generally, as fatal objections to the resort of Governors General to the hills. Great evils are no doubt alleged to have resulted from the stay of the Governors General at Simla; but I have always heard these attributed to another incident of that stay, the severance of the head of the Government from his official and responsible advisers; the very incident to which the present Viceroy has applied a remedy. Moreover, it is to be remarked that Sir H. Durand urges against Simla the precise drawbacks which are in course of removal. The railway will be very shortly open to Umballah; before very long it will be completed between Umballah and Umritsur, and it is settled that it will be prolonged to Attock or Peshawur. When these lines are somewhat further advanced, and when improvements now in progress on the hill road are finished, it appears to me that Simla will be fully entitled to the benefit of the argument which is usually employed in favour of Calcutta, as against Bombay and Poona, that modern facilities of communication have rendered the precise situation of the capital unimportant.

Sir H. Durand has further objected that, through the migrations between Calcutta and Simla, two months of the year are lost. The time is greatly too long, according to my experience, and I should hardly describe the days consumed in travelling as necessarily lost to official labour; but no doubt the experience of members of Council concerned with other departments may give a different result. I venture, however, with all deference to my honourable and gallant colleague, to express an opinion that the argument involves a fallacy; the fallacy implied in testing an existing, by comparison with a non-existent, system. The two months supposed to be lost could only have been saved by a Government which remained the whole year in one place. But where is there such a Government in India? The larger number of the local Governments in India move undisguisedly every year to the hills, with all or nearly all their secretariat, and the fact is the more remarkable, because these Governments are not, like the Government of India, charged simply with the functions of superintendence and control, but stand in direct contact and relation with the people. More than this, every Government, and every administrative functionary in the country, is perpetually in movement during the cold weather or the rains; yet nobody ever thought of describing the time spent in locomotion as lost. Nor

is this all. The system of the present Governor General can only be fairly judged by comparing it with that which it superseded, that is, with a system under which the Governor General, separated from his Council for four years together, travelled at large during the winter, and spent the rest of the year at Simla. I am happy to find myself in entire agreement with Sir H. Durand in my estimate of this exploded system, under which important papers sometimes went three times over 1,500 miles, between the Governor General in the Upper Provinces and the Council at Calcutta. I myself, judging from the experience of a single twelvemonth, believe it to be impossible for any human arrangement to have worked more perversely.

The Government of India is now abreast of its work. When the present system began it was heavily in arrear, and I believe there are no traces of a period at which it was not in arrear, although the work was infinitely less than it is now. The improvement is no doubt partly owing to a cause on the efficiency of which Sir H. Durand and I are agreed, the presence during four years of the Governor General with a Council, which now practically consists of heads of departments. But I am sure it is also due to another influence, the influence of a fairly good climate on the quality and speed of our work.

Discomfort and disease have so long been the conditions of official life in India, and so much admirable work has been done under those conditions, that there is, I venture to think, a disposition in some minds to regard them as indissolubly associated with the good government of the country. Yet, surely, in settling the question of the capital, it is unreasonable to leave out of account the discovery made 30 or 40 years ago, that nature has been less unkind to us than had been supposed, and that within the geographical limits of India there are climates in which the English race retains or regains its native vigour. I quite understand the necessity of guarding against the temptation to overrate the value of these climates, and to underrate the difficulty of utilising them. Yet there may be prejudices of the opposite kind, and the censors of resort to the hill climates should be sure that unconsciously they are not arguing as a Conservative of the Spanish Indies may have argued against the use of the jesuits' bark in fever, as a practice in itself effeminate, and calculated to excite ill-feeling in those who could not afford to purchase the new drug.

Everything is to be preferred to miscarriages of policy and administration, and if the interest and safety of the British Indian Empire do not permit its Government to be conducted in a good climate, it must be conducted in a bad one. Yet the necessity is not the less a great public misfortune. It is most unfortunate, for example, that the area from which Governors General and Governors are taken should be narrowed. If there is one thing more certain than another, it is that the English Parliament, as it grows more popular, will be more and more inclined to govern its great dependency directly through functionaries known to itself and sent from home; and every chance thrown away of mitigating the, perhaps, unreasonable fear of the Indian climate which prevails in England, is a chance the less for the good government of this country. Again, the necessity of which I have spoken is unfortunate, because, though men bred in India may work well in extraordinary bad climates, nevertheless they have thus much in common with men bred in England that they work better in better climates; more efficiently, because either more vigorously or more calmly. There is no economy which a Government can practise like the economy of its servants' health and nerve; it may be compelled to expend them on mere resistance to unfavourable physical conditions; but if it goes an inch beyond absolutely necessary expenditure, it is guilty of the most foolish form of prodigality.

Some very painful statistics of death and disease in the High Court during the last five years, which I read the other day in a Minute of Mr. Justice Seton-Karr, are fatal, I am sorry to say, to Sir H. Durand's impression that the Court furnishes any evidence of the healthiness of Calcutta. I am, however, disposed to agree with him that, on grounds of salubrity alone, it would be hardly worth while changing the seat of the Government to any other place in the plains of India. My objection to Calcutta is precisely that of which I admit the force when urged against Simla. Neither Calcutta nor Simla has any claim to be considered a capital in the sense in which the word has generally been understood. One would suppose that the natives of a country to be governed from a capital would approach it with tolerable readiness, would take their fashions of life and thought to some extent from it, would be represented in the society which inhabits it, and would reflect the civilisation of which it is the exemplar. These tests of a capital are satisfied by Calcutta, so far as regards Bengal Proper; but, so far as respects the rest of India, Calcutta is remarkable for not satisfying a single one among them. Not even the most powerful of Indian motives, a grievance to be redressed, will in most cases bring a native of India, other than a Bengalee, to the dreaded city. Simla is certainly not much more resorted to, but this is rather the fruit of ignorance than of fear; and Simla has, beyond doubt, the advantage of Calcutta in the number of experienced functionaries from all parts of India who come to it. I myself have seen more there in one month than at Calcutta in six, and this is only the natural result of the difference between a place to which everybody will come if he can, and a place to which nobody will come if he can help. But neither city seems to me to be a capital, unless a capital be merely the spot at which the Government may be for the time being.

It would be unreasonable that, after all I have said, I did not state affirmatively my own views of the best arrangement which could be adopted. I take the liberty of calling attention to an experiment which Lord Elgin was on the point of trying when he was overtaken by death. A standing camp had been established in the neighbourhood of

Lahore,

Lahore, and there Lord Elgin intended to assemble both the Executive and the Legislative Councils. I venture to suggest that, at the beginning of the cold season, such a camp should be established near each of the great native cities in turn; that the Supreme Government, descending from the hills somewhat sooner than at present, should be received in it, and should then proceed with such legislation as would more especially affect native interests, reserving for Calcutta or Bombay, which would be visited afterwards, the discussion of the budget, and of such provisions of the codes as are intended for general application. Natives of India in any number would resort at that season to Lahore, Agra, Delhi, Lucknow, or Benares; and there could be no better opportunity for holding those congresses of Governors, Lieutenant Governors, and Chief Commissioners, which have been recommended by high authority as the best preservative against that inter-provincial friction which has become so annoying of late years. The Supreme Government of India would thus become peripatetic. If it be objected that there is no example of such a Government, I answer, first, that the fact is not so, since almost all Governments originating in the conquest of hot countries by persons born in a cooler climate have been, as a matter of history, more or less peripatetic, and that, even if the objection were well-founded, the British empire in India is too novel and extraordinary an experiment to be dependent on any precedents, except those which its own experience furnishes. I would ask whether such a system as I have described would, in truth, be more than the old progresses of the Governor General, cured of one particular vice, and adapted to the circumstances and condition of the India of the present day. The cost of time and money entailed by these movements might, in my judgment, be reduced within narrow limits by organization and forethought. Much of the public and private expense—the first any thing but large—and much of the loss of time entailed by the system of the last four years have been attributable to its provisional character.

Though the point is not one on which I can venture to pronounce a very confident opinion, I must say I feel considerable doubt of the expediency of erecting Assam into a Chief Commissionership under the Government of India. I dread the moral effect on this Government of mixing it up with Bengal questions, of which it is an unhappy characteristic that they are almost invariably questions between the races. Now, it is the peculiarity of Assam that these questions arise there in an intense form. It would be, I think, a great misfortune if a Governor General, from a sympathy with the weaker race, admirable in itself, were to neglect the ingredient of justice in the European view of these questions; but I say without hesitation, that as the Government of India will generally be constituted, the danger will be altogether the other way. An English Governor General will be under strong temptation to make Assam, at all risks, the theatre of a flourishing tea industry. Nothing, however, as it seems to me, would be more lamentable than that the Government of India should become a decided partisan, either of European or of Native interests. The only position which befits it is that of moderator and arbiter.

(signed) *H. S. Maine.*

Enclosure 9, in No. 11.

MINUTE by Major General the Honourable Sir *H. M. Durand*, C.B., K.C.S.I., dated the 17th March 1868.

HIS Excellency the Governor General has expressed the wish that any remarks elicited by the Minute of his Honor the Lieutenant Governor of Bengal should be early sent in, as his Excellency defers his final observations until he should have before him all that is written.

Since the receipt of Mr. Grey's very able Minute, I have also read that of the Honourable Mr. Maine, dated 16th March. There is much in both which calls for a more elaborate examination than it would at present be convenient, with regard to the request of the Governor General, to give them. I shall, however, note a point in which the Honourable Mr. Maine has read the Minute of the Honourable Mr. Grey differently from myself.

After asking whether it is really true that the system inaugurated by Sir John Lawrence, of periodical migrations between Calcutta and Simla, had failed, Mr. Maine asks whether there is the least ground for questioning Mr. Grey's opinion that it has added very greatly to the efficiency and dispatch of official work. From this the inference would be that Mr. Grey's Minute approves of the annual migrations to Simla as favourable to the dispatch of official business. I have failed to discover any passage to that effect. Mr. Grey expresses a favourable opinion of the plan of the formal division of business between the Governor General and his Council, and of the modern practice of the Council accompanying the Governor General when he leaves Bengal, but he does this quite independently of any question as to Simla for an alternative capital. He appears to me carefully to avoid this point, and to confine himself to the general principle that it would be a great mistake on public grounds to revert to the old plan of the Governor General himself visiting other parts of India, and leaving his Council behind him in Bengal.

I shall not stop to point out the difference between the tours of district officers in the cold weather, accompanied by their omlah and offices in camp, and the suspension of ordinary

nary business during the migrations to and from Simla. The analogy is wholly fallacious, but will not mislead any one acquainted with the system of executive administration in the districts of our various Provinces. Nor shall I note that the completion of the railway sections mentioned by Mr. Maine as removing the drawbacks to Simla cannot remedy the inherent defects of its geographical position, and can only shorten the period of waste time expended in migrations by a couple of days; but I do think it advisable to demur to the comparison drawn in favour of Simla over Calcutta as the rendezvous of experienced functionaries from all parts of India. When the Government of India is there, many functionaries are summoned up; but as a rule it is not by any means a convenient place of resort for any but a limited number of public functionaries from the plains. As compared with Calcutta or Bombay, it wants the important element of a large, intelligent European community, not official, but legal, mercantile, &c., and always exercising an influence more or less healthy on a bureaucratic and arbitrary Government. Although it may occasionally assume a vexatious form, yet, on the whole, the general effect of such a public is a salutary restraint on the proceedings of Government, which it tends to make more circumspect in its action. Nowhere else are the measures of Government so freely and intelligently discussed and criticised as at the great centres of commerce, Calcutta and Bombay.

The Honourable Mr. Maine seems to forget that the Local Governments, when they migrate to the hills, do so to stations which are within easy reach of their Head Quarters. The most unfavourably placed in this respect is the Bengal Government with Darjeeling as its sanatorium. I think, too, that my honourable and learned colleague has allowed it to escape his recollection that Lord Canning would not make Simla his residence, and that, therefore, it can hardly be fairly alleged that I am guilty of the fallacy of testing an existing by comparison with a non-existent system; for that which immediately preceded the present one can scarcely be treated as an obsolete system.

I am in perfect concord with Mr. Grey and Mr. Maine in the opinion that the system first fairly inaugurated by Sir John Lawrence, of keeping the Council with him, greatly expedites the transaction of official work, and is in every way far preferable to the old system of a President in Council invested with the full powers of Governor General in Council. The anomalies and the risks of that old system, it would require a long and disagreeably searching Minute to set forth. The delay it caused in the disposal of any thing but the most ordinary routine business was great; and if my honourable friend Mr. Maine meant to say that he regarded the gain in the dispatch of work thus made under the new system of the Governor General and Council keeping together, as a full compensation for the loss of time and dislocation of business caused by the annual migrations of the whole Government, much might be said in support of this view. The new system, as compared with the old, may fairly enough claim to be compensatory in this particular for its migrational drawbacks. It may claim more, for it obviates contingent dangers inseparable from the existence of co-equal powers of the first order, and precludes embarrassing complications, which do not admit of any exposition hypothetically, but were always imminent on the old system.

Mr. Grey's Minute, when touching on the relations between the Bengal Government and the Government of India, starts from a different basis from the one which underlies my own previous Minute on this subject. Mr. Grey argues that the Local Government requires to be strengthened as against the authority and interference of the Governor General in Council, or, in other words, the Government of India. My Minute started from the converse view, namely, that the authority and controlling power of the Governor General in Council should be reinforced rather than weakened in relation to Local Governments. At issue on such a radical point, the results arrived at are necessarily different. Mr. Grey would place Bengal on the footing of Madras and Bombay, and raise it into a Governorship. I would reduce Madras and Bombay to Lieutenant-Governorships. But though there is this radical and irreconcilable antagonism in Mr. Grey's views and my own, I fully admit the great value of the lucid yet concise way in which the onerous character of the work of the Bengal Government is represented, and the utter inadequacy of the aid granted to the Lieutenant Governor brought prominently into light. There can be no doubt that the Secretariat machinery of the Bengal Government needs reinforcement, but if this be sufficiently done, I see no satisfactory reason why a Secretariat Council should not amply meet the requirements of Bengal. A separate Council would after all be drawn from the same class which furnishes the Secretaries, and would carry no more weight, but increase the cost of Government considerably. It is well known that but for certain events in which it was thought a Secretariat Council would not have had the same power of control over a Local Government as was exercised by the Council of the Governor General under a President in Council, the transformation of that body into a Secretariat Council would have taken place. Manifestly such a reason is inapplicable to the Councils of Local Governments, and even if those of Madras and Bombay should be continued, which I hope may not be the case, I should deprecate the creation of similar Councils for the Punjab, the North-west Provinces and Bengal, for the very reason which leads Mr. Grey to propose it. I do not think that the Local Governments should be practically encouraged to assume the position of independent, or at best, loosely confederate States, owing but a nominal subordination to the Government of India, and looking to strengthen themselves against what is termed its interferences or encroachments by every device calculated to hamper the effective control of the Governor General in Council, and to render the exercise of his authority morally more difficult.

Then

Then, I hold a strong opinion that, in relation to Local Governments, the influence and authority of the Government of India requires to be strengthened not weakened, and that, for all progress and beneficial administrative purposes, the powers of a Lieutenant Governor, with a Secretariat Council, would be ample; and yet less likely to come into conflict with those of the Supreme Government than if a regular Council and the higher status of a Governor were conferred.

(signed) *H. M. Durand.*

MINUTE.

I HAVE received from the Government of India a copy of the Secretary of State's Despatch, dated 16th January, on the subject of the machinery of administration in the Bengal Presidency, with a request that I will state my opinion "on the points connected with the administration of my (his) charge."

I hope that I shall be excused if I travel beyond the limit thus apparently laid down, for it will be difficult to discuss all the points that concern the Lieutenant-Governorship of Bengal, without referring to considerations that belong to the administration of the whole Presidency, and indeed of the whole Empire.

For instance, it would, I think, be impossible to discuss to any purpose one of the most important questions raised by the despatch, namely, the proper manner of legislating for Bengal, without considering the subject of legislating for India generally.

I find in the despatch the following remarks upon this question as it relates to Bengal: It is said to be thought by some persons that "the existing system under which two legislative bodies sit in the same place (Calcutta), and have jurisdiction (with some exceptions) over the same class of subjects, is anomalous and to some extent mischievous."

Again, it is said to have been suggested that experience has shown that the distinction between regulation and non-regulation Provinces * * * ought to be for certain purposes revived * * *; that in outlying regions, either of recent acquisition, or which are comparatively backward in civilization, the method of making laws through a central legislature, subject to the usual forms, is cumbrous and inapplicable; that such new laws as are necessary for the ordinary purposes of domestic administration are best made in these instances by the executive authority itself, and therefore, with the reservation that such Provinces should not be exempted from the general jurisdiction of the central legislature, it is suggested that the executive authority within the Provinces should be empowered to make regulations having the force of law. Such an arrangement would embrace in the Bengal Lieutenant Governorship the following districts:—

The seven districts under the Commissioner of Assam.

The four districts under the Commissioner of Chota Nagpore.

The three districts under the Commissioner of Cooch Behar.

The Sonthal Pergunnahs.*

The district of Cachar.

The Hill Tracts of Chittagong.

The Tributary estates of Orissa and of Chota Nagpore, and (in the Despatch it is suggested) possibly the three districts of Orissa proper.

In conformity with the above suggestions, it is proposed for consideration whether it is expedient to restore the relations which formerly subsisted between the Governor General and the Presidency of Bengal (one of the Members of the Council, however, acting as a Lieutenant or Deputy Governor), to abolish thereupon the present local legislative Council, to give the executive authority legislative power for limited purposes, and to entrust all other legislation for Bengal to the general Legislature.

What is suggested, then, by the above remarks, in respect of legislation, is this—

1st. That for the large tracts of country above enumerated the executive authority, that is to say, the Lieutenant or Deputy Governor, should have power to make laws, subject to the control of the Governor General in Council.

2dly. That for the districts of Bengal proper and of Behar all legislation should be entrusted to the general Legislature of India, that is to say, to the Governor General in Council.

From both of these suggestions I unhesitatingly dissent.

With respect to the second, it appears to me that it will be a very startling example of the vacillating policy which has been often charged against us, if six years after introducing the experiment of a local, and in some sense a representative Legislature in Bengal we suddenly abolish it and relegate all local legislation to the general Legislature of the empire.

And what is the reason advanced for such a course?—that the sitting of two Legislative bodies in Calcutta with jurisdiction over the same class of subjects, is anomalous and to some extent mischievous.

The anomaly I admit, but I am quite unaware on what ground the arrangement can be said

* This tract actually comprises five districts; but being presided over by officers who have the status of Assistant Commissioners only, they are not technically classed as districts.

said to have been hitherto, even in the slightest degree, mischievous. I cannot answer the objection, because I really cannot guess to what it refers. I can only therefore express my own conviction (having been a Member of the one Legislature or the other almost from the first establishment of the local Legislature) that no mischievous consequences whatsoever have ensued from the working in the same place of two legislative bodies. On the other hand, I say with some confidence that an examination of the Acts which the local Bengal Legislature has passed during the six years of its existence will show that the Council has been engaged upon much useful work, and for the most part upon matters which are essentially proper subjects for local legislation, and legislation on some of which by a central Legislature would undoubtedly have been obtained only after great and vexatious delay. This is a minor point, though not in itself at all unimportant.

The unanswerable argument for not taking away a local Legislature from Bengal is that the time has really come in Bengal when the natives of the Province and the English residents of the Province have a reasonable claim to be admitted to a share, and in my opinion to a large share, in framing their municipal laws, or (to use the expression of the despatch), the laws which are necessary for the ordinary purposes of domestic administration.

Now it may be confidently affirmed to be impossible that they should have this in the general Legislature, unless that body were enlarged to an extent which has not yet been thought of, and unless it were then to contain what I should hold to be, in a general Legislature, an undue proportion of Bengal representatives.

I must here glance at the constitution of the two legislative bodies as respects the native element in each. It was Lord Canning's undoubted object to make a seat in the general Legislature a high dignity which the greatest and most powerful nobles of Hindostan should look to as an honour to be desired. This policy has been, if not completely, yet to a great extent acted upon to the present time. The gentlemen who have been hitherto appointed to the local Bengal Legislature have been selected on different considerations. Care has, for the most part, been taken to select native gentlemen who have represented the advanced education and civilization to which Bengal, comparatively speaking, has attained; and a knowledge of English has been considered an indispensable requisite, because the object has been that they should take a real and an effective share in the business of legislation, which it is impossible they can do without a knowledge of English.

It may be that in one or two instances, in either legislature, the characteristics above stated have been in some degree dispensed with, but I am sure that the distinction which I have drawn is generally a correct one.

There is another striking difference between the two bodies. The general Legislature, the Council of the Governor General, is composed mainly of official persons. At the present time it consists of 13 persons who are in the Military or Civil Service of the Crown, and of five non-official persons. The local Bengal Legislature has from its first constitution in 1862 consisted of seven official members, including the Lieutenant Governor, and six non-official members. If the general Legislature were confined to general legislation, such as codes of general substantive law, codes of judicial procedure and other laws suitable for general application, I should say that the existing constitution of the Governor General's Council was a very fit one, having regard to the conditions which have to be dealt with. Indeed, it is so manifestly impossible, under existing circumstances, that any central Legislature in so vast an Empire as British India should contain anything approaching to a representation by non-official persons of the numerous Provinces and peoples to be legislated for, that I am not sure whether legislation of a general character would not be very properly carried on by a purely official body, provided care were taken that it should comprise members possessing a ripe general knowledge of India, and others having that scientific knowledge and learning which are requisite to good legislation; and provided also that the fullest means were used to give publicity to intended legislation, and to collect opinions from all quarters regarding it.

It is certain that there is no legislation which so much affects the people, if it is not the only legislation in which they feel any real interest, as that which relates to taxation. I have just seen a memorial addressed to the Secretary of State by the British Indian Association, in which it is prayed that a consultative Council may be established for the purpose of advising the Governor General on financial measures, and it is suggested that this Council shall be composed of competent Native and European gentlemen (drawn from all parts of the Empire). Now, doubtless the memorialists, gentlemen of Bengal, felt that they could not in decency submit such a memorial as the one in question without inserting in it a clause of this kind. Yet I think they can hardly be unaware of the entire impracticability of the suggestion which they have made. I repeat that to look in a general Legislature for anything approaching to a real representation by non-official persons of the numerous Provinces of this vast Empire is to grasp at a shadow; and if this is so, then I say that it forms a strong reason for restricting the Council of the Governor General as much as possible to legislation of a general character. It is also a weighty argument, (*not*) for abolishing local Legislatures that already exist, but on the contrary for adding to their number in accordance with the intention of the Indian Council's Act of 1861. And the following out of this principle seems to me especially desirable in reference to that kind of legislation, by which I have said that the people are most keenly affected. It is, I presume, undeniable if progress is to continue in India (I need not pause to point out how great a progress in all matters appertaining to civilization there has already been), if we are to have more and better roads, education extended to the masses who hitherto have been barely touched, improved Courts of Justice, a police more efficient and trustworthy than that established by

by the Act of 1861 can yet be said to be, if we are to hope to effect by degrees some amendment of the sanitary condition of the country, even to the extent of such measures as spreading vaccination among the people, providing them with wholesome water to drink, and inducing them in their towns and villages to adopt the most ordinary and plain precautions against disease; if we are to look to accomplish these and many other things, then it is beyond question that the expenditure for such objects must be largely and constantly increasing. Assuming, what is probably true, that the increase of the general revenues from existing sources of taxation will not keep pace with the demands everywhere for such local improvements as I have mentioned, I am strongly of opinion that instead of attempting to augment the general revenues by new taxation, it should be left to each local administration, under control of the central authority, to raise funds for such purposes by local taxation. In my judgment, fresh taxation will be imposed with the nearest approach to an absence of dissatisfaction on the part of the people, and therefore will be imposed most prudently and safely, by means of local taxes imposed by local Legislatures.

I will not venture to say that even in a local legislature the population of so large a Government as that of Bengal, comprising, as it does, many distinct peoples, speaking different languages, can be at present fully represented, but the leading and general interests of the province, the landed interest and the trading interest, may at least be effectively represented, and it is on these interests mainly that increased taxation must immediately fall. If it has become a question, in the absolute want of money, how we are to continue making fresh roads, and even how we are to maintain our existing roads in repair, I venture to hope, that sufficient public virtue will be found in the members of the Association whose memorial I have referred to above, and who are adequately represented in the Bengal Legislature to lead them cheerfully to consent to a local rate on the land for the purpose. I mention this particular instance because the case has already become so urgent that it is actually in contemplation to propose such a rate. But for education and for other purposes; it is undoubted that if Bengal is to advance and to improve, local taxation in this and other ways must be resorted to. Therefore, in this condition of things I must earnestly lift up my voice against the suggestion that the local legislature of Bengal be abolished, and that all legislation relating to the internal administration of Bengal be turned over to the general legislature. If there is any one part of India in which the native public are entitled to have a real share in legislation immediately affecting them, it is the Lower Provinces of Bengal. It is possible, moreover, to look forward to the time when a local legislature, or some such local consultative body as that just asked for by the British Indian Association, shall take part in regulating the expenditure of local taxation. It is not possible; I think, that any agency of the sort can ever be usefully employed in connection with the general budget of the empire.

I have said that I admitted the anomalous character of the existing arrangement, and I desire therefore to explain that the anomaly which to my mind exists arises not so much from Bengal having a local legislature side by side with a general legislature, as from this general legislature having to do with the local legislation of other provinces, and more especially of the North-Western Provinces. This connection of the general legislature with legislation on the purely local matters of a government so nearly akin to Bengal no doubt leads to encroachment by that legislature on the proper functions of the local legislature of Bengal, and in this way the anomaly arises that the local legislation of Bengal is partly done by one council and partly by the other.

The same anomaly also arises in a lesser degree from other causes, which apply to Madras and Bombay as well to Bengal. It is held that the local legislatures can enact no law which in any manner, however indirectly, affects the high courts of judicature; and again, the Indian Councils' Act does not permit of a local legislature amending any law passed by the Governor General in Council subsequently to the Indian Councils' Act, 1861, nor of its amending any Act of Parliament whatsoever. Hence it follows that whenever it may be found that local circumstances require the modification of a general law passed by the Governor General in Council since 1861, or of some ancient Act of Parliament, the necessary legislation for the purpose, however clear in its local application the point may be, must be undertaken by the general legislature. I apprehend that in the course of time considerable inconvenience and confusion will result from this, and I would urge that wherever local legislatures are permitted to exist, the only *legal* restrictions on their powers of legislation should be those imposed by Section 43 of the Indian Councils' Act, and any other restrictions of a like *specific* character which it may seem advisable to impose. It must surely have been an oversight that as regards the specific restrictions imposed by Section 43, power should have been expressly given by the Act to withdraw them, and yet that no such power should have been given with respect to the general restrictions above stated which are contained in Section 42 of the Act.

The remedy, then, for any anomaly which now exists is to increase the number of local legislative assemblies, and to aim at restricting the general legislature as much as possible to legislation of a general character. That there has been hitherto, in regard to both points, a very wide departure indeed from the intention of those by whom the Indian Councils' Act, 1861, was framed, no one will doubt who will read paragraphs 31 to 34 of the Secretary of State's Despatch dated the 9th of August 1861. In these paragraphs it was assumed that the Governor General in Council would "deem it expedient to give effect without delay to the provisions of the Act in Bengal, the North-Western Provinces, and the Punjab," and his attention was specially directed to the provision of the Act which empowers the Governor General, with the Queen's sanction, to constitute by proclamation

new provinces for the purpose of the Act. Not less clearly did the Secretary of State indicate his view as to the expediency of restricting the Governor General's Council to general legislation. "It is advisable" (he wrote) "that the several Legislative Councils should undertake, as far as possible, the necessary legislative business for the territories under their respective jurisdictions. The circumstances of different parts of India are widely different, and may even, under the same general head of administration, require widely different measures of a practical character. * * * * * There will, however, always remain some important subjects to which for the most part general legislation alone is applicable, and which should be reserved to be dealt with by the Council of the Governor General. Such are the subjects specified in Section 43 of the Act;" and then the Secretary of State goes on to point out that, even as to these subjects, the Governor General may authorise the local Councils to legislate whenever expedient. And again he writes: "* * * * * as a general rule, the Supreme Legislature should as little interfere with matters of local administration as a local legislature should be permitted to interfere with those matters of general administration which are reserved to be dealt with by the Council of the Governor General."

Now, in my humble opinion the policy of the legislation of 1861 was a right policy, and I hold it to be matter for regret that it has hitherto been to so small an extent acted upon. I am very unwilling to think it possible that Her Majesty's Government should now come to the conclusion that it is desirable altogether to reverse and set aside that policy.

A Bill regarding Zemindary daks.

- " Tram Roads.
- " for amending the law as to recovery of rent.
- " for the better enforcement of discipline in the Calcutta House of Correction.
- " as to the registration of Nijjote and Khamar lands.
- " to amend the Mofussil Small Clause Court Act.
- " regarding the survey of Steamers.
- " regarding the collection of tolls on canals, &c. in Hidgallee and Tumlook.
- " to increase the dues leviable in the Port of Calcutta.
- " regarding the hoisting of signals by vessels passing signal stations on the River Hooghly.
- " to enable the Talookdars of Sootanooty, &c. to recover their rents.

That there was ample justification for the establishment in 1861 of a local legislature in Bengal, in which the Natives and the Europeans of the province should both be fully represented, may be demonstrated by a simple recital (*see margin*) of the measures relating to Bengal concerns which were then actually in progress, and were taken up by the new Council.

It may be that there is not even now in the North-Western Provinces and the Punjab, and in other provinces, the same variety of local matters requiring legislation which is found in Bengal, and no doubt also there are not the same means in other provinces which there are in Bengal for securing an effective and useful representation of the public by non-official persons. Still I am satisfied that there can be no insuperable difficulty in any province in forming a body for local legislation which will be found better adapted to local circumstances and local requirements than the Council of the Governor General ever can be. Probably it may be necessary that for some time to come the official element in the local Councils of other provinces should be in stronger proportion to the non-official element than it is in Bengal.

I venture, then, to urge strongly that the principle of local legislatures in which the local public and local interests shall be represented, partly by official persons and partly by non-official persons, may not be abandoned, but that, on the contrary, the intention of the legislation of 1861 may yet be practically accepted and acted upon, the ultimate aim being to restrict the general legislature absolutely to matters of general administration. And advocating as I do this policy in its widest application, I may perhaps be permitted to mention what it seems to me would be a material improvement in the character of the relation borne by local legislatures to the central authority. At present, under the Indian Councils' Act, a law passed by a local legislature requires the assent of the Governor General individually, and if the Governor General withholds his assent, he is required to signify in writing his reason for doing so. In my opinion it would be conducive to the public good if the law were altered so as to require the assent of the Governor General in Council to a law passed by a local legislature, and if it were provided that whenever the Governor General in Council sees reason to withhold assent to a law, a statement of the grounds on which it is thought necessary to do so shall be communicated to the Governor or Lieutenant Governor concerned, and that it shall be competent to the Governor or Lieutenant Governor thereupon to tender for consideration by the Governor General in Council such further explanation and statement as may seem to him advisable, and that the Governor General in Council shall, after due consideration of such further explanation and statement, communicate his final decision in the matter. I am not sure that the actual terms of the existing law do not in fact permit of this course being taken. It has, however, never been so understood, but on the contrary, the declaration of the Governor General that he withholds his assent has been deemed to be final.

There is still one other point which I have to notice in connection with legislation, and that is the suggestion to vest the power of legislation with respect to certain provinces in the executive authority. This principle, I desire to point out, was distinctly abandoned by Parliament in the Act 3 & 4 Will. 4, c. 85. That Act for the first time constituted what was virtually a separate legislative body. A member was added to the Governor General's Council, who was excluded from sitting or voting at any meetings except those for making laws, and a clear distinction was drawn between the making of laws and regulations, and the exercise of other functions, by a provision that for the former purpose the Governor General and at least three of the ordinary members should be assembled, while all other functions of the Governor General in Council might be exercised by the Governor General and one ordinary Member of Council.

By a misapprehension of the law, it seems to have been held that the Act of Parliament above-

above-mentioned was not applicable to the case of provinces subsequently acquired, and the Governor General in Council assumed to himself the authority of governing such territories (the Punjab probably was the first instance) by means of orders issued in his executive capacity. After a time it came to be discovered (Mr. Peacock apparently first pointed it out in 1852) that this was a mistake, and eventually the Indian Councils' Act of 1861 attempted to set the matter right by declaring that no rule, law, or regulation which prior to the passing of the Indian Councils' Act had been made for any non-regulation province should be deemed invalid only by reason of the same not having been made in conformity with the provisions of the Act 3 & 4 Will. 4, c. 85, or of any other Act of Parliament. It is my belief that this provision has given rise to very grave doubts as to what is law and what is not law in the Punjab and other provinces similarly situated, the popular notion apparently being that every order that ever was passed by the executive Government has been converted into law, while under the narrower and more rational view that nothing has been made law by the Indian Councils' Act which it was not the intention of the executive authority at the time to promulgate as law, leaves it extremely difficult to determine what rules and regulations do actually fall within that category.

I hope, therefore, that if in respect of legislation it is determined that in certain provinces "the executive authority within them" shall have power to make regulations having the force of law, it will be made clear that such regulations shall be passed and promulgated as law, so that it shall not be left open to constant discussion in future years, as is now the case under the operation of section 25 of the Indian Councils' Act, whether this or that rule passed by the executive Government is or is not a law. So far as the Punjab and some other provinces which are integral non-regulation provinces are concerned, the proposed arrangement falls in, to a certain extent, with my view as to the advantages of local legislation, but I would strongly advocate the association with the executive authority of other official persons, and whenever the conditions of native or European society admits of it, of non-official persons besides. In the case of Bengal I can see nothing to be gained from separating the so-called non-regulation provinces from the local legislature. There will assuredly never be any difficulty in passing through the local legislature any law which the particular circumstances of Assam or Chota Nagpore may require, and there seems to me to be a strong objection in principle to giving to the executive authority, especially if that authority is a single individual, the power to make regulations having the force of law.

I therefore dissent from what I understand to be the suggestion stated in the Secretary of States's Despatch, and would urge that under every Government there should be a local legislature separate from, though of course comprising, the executive authority.

I turn now to the important question whether the machinery of executive administration in Bengal requires alteration and expansion.

Let me state generally what the Government of Bengal is:

The provinces administered by the Lieutenant-Governor of Bengal contain an area of over 240,000 square miles, with a population of between forty and fifty millions. These provinces are formed into eleven* commissionerships (exclusive of Calcutta), 54 districts, besides the tributary states, the native state of Cooch Behar and the Soonderbuns.

For conducting the judicial and executive administration of these territories, there are employed, exclusive of the High Court, 33 judges of divisions or districts, and 235 subordinate civil judges; 54 collector magistrates†; 54 joint magistrates† and deputy collectors, and 347 assistant or deputy magistrates† and collectors. The police force employed amounts to about 33,000 men of all grades.

The annual revenue of Bengal is in round numbers 16,000,000 £. (exclusive of municipal taxation), and the annual civil expenditure amounts to 5,000,000 £.

In

* Names of Commissionerships.	Names of Districts.	Names of Commissionerships.	Names of Districts.	Names of Commissionerships.	Names of Districts.
Presidency	Calcutta. The 24 Pergunnahs. Nuddea. Jessore. The Soonderbuns.	Patna	Patna. Shahabad. Behar. Sarun. Chumparum. Tirhoot.	Assam	Kamroop. Durrung. Nowgong. Seeksagur. Luckimpore. Naga Hills. Cossyah and Jynteah Hills.
Burdwan	Burdwan. Beerbhoom. Bancoorah. Hooghly. Howrah. Midnapore.	Cuttack	Cuttack. Pooree. Balasore. The Tributary Mehals.	Chota Nagpore	Lohardugga. Hazareebaugh. Singbhoom. Maunbhoom. The Tributary States.
Rajshahye	Maddah. Dinagapore. Rungpore. Bograh. Rajshahye. Pubna. Moorshedabad.	Dacca	Dacca. Mymensing. Sylhet. Cachar. Furreedpore. Backergunge.	Cooch Behar	Gowalparrah (with the Eastern Dooars). The Western Dooars. The Garrow Hills. Darjeeling. The Native State of Cooch Behar, at present under our management.
Bhaugulpore	Bhaugulpore. Monghyr. Purneah. The Sonthal Pergunnahs.	Chittagong	Chittagong Hill Tracts. Tipperah. Bulloah.		

† These include the officers who in non-regulation districts exercise the same powers under different titles.

Public Works Department, including Railways.
 Department of Public Instruction.
 Medical Department.
 Gaol "
 Ecclesiastical "
 Registration "
 Marine (including Pilots, &c.)
 Survey Department.
 Opium "
 Forest "
 Emigration "
 Customs "

In addition to the judicial, revenue, and police establishments above referred to, the Lieutenant Governor has to exercise supervision and control over the departments named in the margin. The mere enumeration of these departments will suffice to indicate the amount of labour and responsibility which the control of the large establishments and the varied duties they comprise must in the aggregate involve. The public works department is administered through a separate secretariat. The expenditure on establishments during 1866-67 (the last year for which accounts are made up) was 154,776 £, and the total expenditure of the department was close upon 1,000,000 £. The control of this department includes not only that of ordinary public works and communications throughout Bengal,

but also correspondence connected with the working of the railways, and with irrigation. The latter is certain to increase largely both in importance and extent; the former comprises the supervision of the four lines of railway at present open in Bengal, and beyond Bengal to Delhi and Jubbulpore respectively. The length of open railway under the Bengal Government is 1,523 miles; of railway under construction, 192 miles.

The department of public instruction expends annually some 220,000 £. It includes about 50 gazetted appointments, apart from the numerous inferior appointments.

The duties entailed by the supervision of the medical department are both important and onerous in Bengal from the great number of mofussil dispensaries, the frequent calls for special measures on account of epidemic diseases, the introduction of vaccination circles, and the large hospitals at the Presidency.

There is a gaol in each of the 54 districts, besides smaller prisons at each of the subdivisions into which the districts are divided. The total number of persons imprisoned during any one year in Bengal may be taken at about 115,000, and the permanent prison population at about 40,000.

The registration department is new. The fees received last year amounted to 29,310 £. It employs 22 special officers on fixed salaries, besides 32 sub-registrars paid by fees. It is a department which will certainly grow.

The large trade of the port of Calcutta, and the fact that some 800 vessels with an aggregate tonnage of 690,000 tons annually visit it, will indicate the labour and responsibility involved in the control of the marine department, including a pilot establishment of nearly 100 members, and the Harbour Master's department of 28 members. To this is to be added the control of expenditure on river steamers, light vessels, pilot brigs, surveying and dredging vessels, and the control of the minor ports.

The survey department under the Government of Bengal includes 53 gazetted appointments.

The importance of the opium department, which brings in 4,000,000 £ of revenue, scarcely requires to be dwelt upon; but, from the uncertainty of this revenue, the operations of the department require an amount of careful supervision, and involve a responsibility, which are not adequately measured by the mere numerical strength of the establishments.

The amount of work connected with the emigration department may be understood by reference to the statistics of 1865-66, from which it will be seen that the number of emigrants shipped to the Colonies in that year was about 20,000, and the number engaging for the tea districts was 45,000. The emigration to the tea districts has in fact added very greatly to the anxiety and the work of the Lieutenant Governor during the last five years.

Of the Customs Department it is sufficient to say that it exhibits a net revenue of 2,500,000 £, that the value of annual imports may be stated at 23,000,000 £, and that of the exports at 25,000,000 £.

The extent, variety, and importance of European interests in Bengal, add immensely both to the labour and the anxieties of the Government.

To this meagre outline of the labour and the responsibilities devolving upon the Bengal Government in connection with the internal administration of the country, it has to be added that, throughout the whole length of its northern and eastern frontier, from Darjeeling to Chittagong, a distance of 1,000 miles, Bengal is bordered by wild and barbarous tribes, from whose raids the country has never hitherto been secure, whom it has not yet been found possible to subdue by conciliation, and whom we can seldom punish satisfactorily by hostilities. In the one annual report of 1866-67, raids are referred to by the Nagas, the Mishmees, the Shindoos, and the Looshai Kookies, and the possibility of a raid from the Abors is discussed. It need scarcely be said how such a frontier must increase the difficulties and the work of the Government.

The complete separation (below the head of the Government) of the administration of Bengal from the general administration of India dates from 1843, in which year Lord Ellenborough assigned a separate secretariat establishment to the Bengal administration, by which the whole civil business, including public works, was to be transacted. The establishment which it was at that time thought right to assign to the work of the Bengal Government was one secretary and two under-secretaries.

In 1854 the further step was taken of appointing a permanent Lieutenant Governor, thereby separating entirely the local administration of Bengal from the office of Governor General. And the Governor General ceased to be Governor of the Presidency of Fort William (17 & 18 Vict. c. 77, s. 5).

In 1859, or 1860, a separate public works' secretariat was given to the Bengal Government. The secretary, however, is also chief engineer of the provinces.

From a statement which was prepared some years ago, I find that the amount of correspondence,

correspondence which passed through the Bengal Secretary's office in 1844, was 18,144 letters received and issued. In the past year, 1867, the amount of correspondence which passed through the different secretariats of the Bengal Government, was 62,878 letters received and issued. Of this correspondence, 43,081 letters belonged to the civil administration, and 19,797 to the public works branches of the secretariat.

The following figures show the whole business of the Bengal Government, including public works, at three different periods:—

1844	-	-	-	-	-	18,144 letters.
1856	-	-	-	-	-	34,570 „
1867	-	-	-	-	-	62,878 „

The following figures show the business of the civil administration only, in each year from 1859 inclusive. (Previous to 1859 there is no means of separating the civil from the public works business):—

1859	-	-	-	25,527	1864	-	-	-	37,545
1860	-	-	-	29,022	1865	-	-	-	38,978
1861	-	-	-	30,542	1866	-	-	-	38,130
1862	-	-	-	33,881	1867	-	-	-	43,081
1863	-	-	-	37,072					

Till within the last few weeks the secretariat for the business of the civil administration (exclusive of public works) was of exactly the same strength as that which was deemed necessary in 1843.

In a letter just written to the Government of India, asking for an increase of office establishment to this branch of the secretariat, the following remark, with reference to the amount of correspondence in 1867, has been made: “It is possible that the cessation of the correspondence arising out of the famine may operate to reduce to some extent the number of receipts and issues during the current year. But the remodelling of the forest department; the prominence recently given to vaccination; the resolution to undertake comprehensive measures to improve sanitation and the appointment of a Sanitary Commissioner for Bengal; the expansion of the new police and of the new registration department; the steps taken for the sanitary administration of military cantonments, &c., will, unquestionably have the effect of, at least, neutralising any reduction in other departments, and will, perhaps, cause a positive increase of work in the aggregate. In any case, it cannot be doubted that the tendency of the work in future will be, as heretofore, to go on increasing.”

I believe this to be a very moderate statement. I believe myself that the correspondence both in the civil secretariat, and in the public works secretariat is quite certain to go on increasing; and in this belief it seems impossible to doubt that a further material alteration of some kind in the machinery of administration in the Lower Provinces of Bengal is urgently called for. It is difficult to write on the point without seeming to use exaggerated language, but I express no more than my honest conviction when I say that I believe it to be simply impossible for any one man, with such a staff as has hitherto been allotted to the Government of Bengal, to do tolerable justice to the enormous mass of work, and to the important and varied interests which the head of the Bengal Government has to deal with.

As regards the work, I do not know that I can put it in any stronger light than by pointing out that the amount of work which now devolves on the Bengal Government is greater than that which devolved upon the Government of India at the time when Lord Dalhousie first proposed to divide the transaction of business between the Governor General and the members of his council. Lord Dalhousie had previously, in a memorandum which he submitted to the Chairman of the Board of Control, stated that “whenever the local duties of the Government of Bengal shall be withdrawn from the Governor General, the proper duties of the general Government will still constitute a mass more than sufficient to occupy all the time, and to task all the powers of the ablest man that can be found to fill the office.” And when early into 1854, with the assured prospect before him of an immediate relief from the Government of Bengal, he proposed, in conformity with the above opinion, a division of work between the Governor General and the members of his council, it is a fact that that work consisted of a smaller number of letters received and issued than the work of the Government of Bengal now consists of. Including the military business of the Government of India, the comparison between the business of that Government in 1853, and the business of the Government of Bengal in 1867, stands as follows:—

1853.									
Government of India	-	{	Home Department*	-	-	-			
			Foreign ditto	-	-	-			
			Financial ditto	-	-	-			
			Military ditto	-	-	-			
							55,841 letters.		
1867.									
Government of Bengal	-	-	-	-	-	-	62,878 „		

To assist in the work of the Government of India, there was in 1853 a secretariat staff of four highly paid secretaries, with four under secretaries, besides three members of council,

* At this time the Public Works business and the Legislative business were both transacted in the Home Department.

council, who, even before the formal recognition of the principle of dividing the business, did, it may be presumed, give some relief to the Governor General.

In 1867 the secretariat staff of the Bengal Government consisted of one Secretary with emoluments below those of a Commissioner of Revenue, two Under Secretaries, and a Public Works' Secretariat.

I am certain that no such great anomaly has been seen in India during the last few years as the existing Civil Government of Bengal contrasted with other civil governments. I have shown above how its work and its secretariat establishment of 1867 contrast with the work and the secretariat establishment of the Government of India in 1853; how the former (making every allowance for the work of the Government of India being on the average of a higher and more important sort) was actually more, while the latter was very much less. I have not the means of accurately comparing the present work of the Bengal Government with the present work of the Civil Administration (including Public Works) of (say) the Madras Government. But I am satisfied that in amount the former must be fully double the latter. Yet the civil staff of the Madras Government comprises two Members of Council, two highly paid Secretaries and two Under Secretaries, besides, as in Bengal, a Public Works' Secretariat. It is, indeed, manifestly impossible that a Government having the far larger area, the far larger public establishments, the far larger revenue, the far more numerous and varied interests which Bengal has, as compared with Madras should *not* have an amount of public business to transact infinitely greater and more onerous than the smaller Government. And yet, up to the present time, while to the smaller interests and responsibilities of Madras have been given a Government and a secretariat constituted as above-mentioned, it has not been thought wrong to entrust the extensive and varied interests and the enormous responsibilities connected with the Government of Bengal to a Lieutenant Governor, aided by a very weak secretariat. I remarked of this secretariat, in a recent Minute which I submitted to the Government of India, that, "it has been notoriously over-weighted for years," and I confess that to me it is matter of surprise that the Lieutenant Governor and his secretariat have not long ago fairly broken down. Looking merely to what I know myself, namely, the work of 1867, I affirm that it is altogether impossible that that amount of work should be *properly and thoroughly* done by any one man, even with the aid of a strong secretariat. Either a great deal of substantial business, not merely routine business, must be left absolutely and avowedly to the secretariat to dispose of, or some other means, of relieving the Lieutenant Governor must be adopted.

This brings me at once to the question, *what* alteration is it desirable to make in the present system and arrangements for administering the Provinces now under the Lieutenant Governor of Bengal?

I find the several expedients suggested for consideration in the Secretary of State's Despatch to be as follows:—

1. That the Government of Bengal should be placed on a footing similar to that of the Presidencies of Madras and Bombay.
2. That the administration of Bengal should be placed in the same hands as the general administration of India.
3. That the relations which formerly subsisted between the Governor General and Bengal should be restored, with this modification, however, of the former arrangement, that one of the members of the Governor General's Council should act at all* times as a Lieutenant or Deputy Governor.
4. That some separate provision should be made for the administration of the outlying portions of the Lieutenant Governorship, which are not comprehended within the old limits of Bengal and Behar.

Taking the second and third of these suggestions together, I would submit that there are very strong objections to a re-amalgamation of the Governments of India and of Bengal. I will again quote from the paper which Lord Dalhousie wrote many years ago. He said:

"The primary duty of the Governor General of India is the general government of the Indian Empire. To those duties of general government, and to the general superintendence of the several local governments, his whole time and attention should be given. Some encroachment on the exact limits of this principle must probably be made for years to come, by the necessity of providing for the government of the new provinces. But, ultimately, the head of the administration ought to be, what his title imports, the Governor General of India; and he ought to be relieved altogether from the labour of administering the details of a local government.

"I base this recommendation not upon any mere theoretical view of what the position of a Governor General ought to be; I found it on my own personal experience of the fact, that it is morally and physically impossible that the Governor General should efficiently discharge all the duties that are now imposed upon him. He cannot properly discharge his functions as Governor General, and faithfully perform also the duties of the local Governor of Bengal.

* * * * *

"The

* I understand this to be what is meant. Formerly the senior Member of Council became Deputy Governor only in the absence of the Governor General.

"The wise resolution of Parliament to separate the local administration of Bengal from the office of the Governor General, will effect an invaluable improvement, and will tend greatly to set the head of the Government free to apply himself to the numerous measures of general improvement, which the exigencies of current affairs now compel him to postpone or to abandon. * * * Whenever the local duties of the Government of Bengal shall be withdrawn from the Governor General, the proper duties of the general government will still constitute a mass more than sufficient to occupy all the time, and to task all the powers of the ablest man that can be found to fill the office."

And in the same paper Lord Dalhousie also wrote the following words:

"All administrative business has a tendency to increase in bulk. And when we consider the great career of improvement, material, moral and social, on which we are entitled to believe that the Government of India is now at last as able as it has long been willing to enter, we cannot doubt that India will form no exception to the general rule which governs the gradual increase of public business."

I am not in a position to state in figures the increase of the business of the Government of India since 1853, but from my recent connection with that Government, I know the increase to have been immense in all the old departments, while two new and important departments, the public works and the legislative, have been added. Indeed, the mere increase in the superior branches of the administrative machinery sufficiently shows the accuracy of Lord Dalhousie's provision.

While in 1853 there were—

- 4 Ordinary Members of Council.
- 4 Secretaries to Government.
- 4 Under or Assistant Secretaries to Government.

There are now—

- 5 Ordinary Members of Council.
- *6 Secretaries to Government.
- †17 Joint, or under, or Assistant Secretaries.

In the meanwhile, the business of the Bengal Government, as already stated, has also very largely increased, and probably it is not an exaggeration to say that the united business of the two Governments is at present three or four times greater than it was in 1853, when Lord Dalhousie declared it to be "a burden which it was not in mortal man to sustain."

The rapid development of public business in India during the last 10 or 12 years seems to me indeed to suggest forcibly the necessity of moving onward in the direction pointed out by Lord Dalhousie, rather than the expediency of going back to the position which he so decisively denounced. Lord Dalhousie, it will have been seen, contemplated that the Government of India would for some time find it necessary to concern itself directly with the local affairs of the new provinces, but he clearly did not propose that the arrangement should be permanent. On the contrary he deprecated this. The new provinces, at the time he wrote, were the Punjab, Burmah, and Nagpore. The province of Oude was subsequently added. The Punjab was some years ago constituted a lieutenant governorship, but the other provinces above named still remain in the form of chief commissionerships, "under the immediate authority and management of the Governor General in Council." These words of the Act of Parliament do not perhaps quite correctly express the actual state of the case; but the provinces in question are no doubt so far under the immediate authority of the Governor General in Council as seriously to increase the business which comes before the Government of India. I confess that it seems to me to be a most desirable object to restrict the Government of India to the "duties of general Government and to the general superintendence of the several local governments," as soon as ever the provinces now under the immediate authority of the Governor General in Council may be thought to be in a condition to warrant their being either constituted separate Governments, or incorporated with Governments already existing.

But however this may be, it is impossible for one who has watched the great and rapid increase of public business in India during the last 10 years, not to view with alarm and dismay a proposal to re-unite, at the present day, the functions of Governor General of India with that of Governor of by far the most important and onerous local Government in India. I cannot imagine any measure that would be more capricious and less justifiable at the present time, than to take away from Bengal its separate Government and its separate Legislature, and to tack it on as an appendage to the general Government of India, which Government, I very confidently affirm, has already more public business of detail on its hands than it ought to have. I submit that to any one who will seriously consider what Bengal is—with its vast material interests, its large and powerful European community, its educated native classes who are rapidly becoming capable of making themselves heard with full as much effect as any European public can do,—the only

* In this number is included the secretary in the Legislative Department. He is called an assistant secretary, but he is to all intents and purposes the head of his department, under the Member of Council, who is charged with the Legislative business.

† This number does not include the Comptroller General or the Accountant General in the Military and Public Works Departments, though these officers do, in fact to some extent, work in immediate connection with the secretariat. Neither office existed as a separate office in 1853.

only question which will appear admissible is, how can the separate Government of this great and advanced province be most efficiently provided for?

But before proceeding to consider this question, I would notice the suggestion that separate provision should be made for the outlying portions of the Presidency which are not comprehended within the old limits of Bengal and Behar.

This suggestion doubtless has in view the creation of Chief Commissionerships under the immediate authority and control of the Governor General in Council.

It will be apparent from what I have already said that such a proposal does not, on general grounds, commend itself to my judgment. I think that the Government of India is already injuriously overlaid with business of a small and local character; and I believe that the existence of the Chief Commissionerships leads the Government of India insensibly to interfere with the internal administration of the Lieutenant Governorships to a greater extent than is necessary or desirable. The Lieutenant Governors occupying a position between the older and full Governments of Madras and Bombay on the one hand, and the modern organization of Chief Commissionerships on the other hand, it is perhaps somewhat difficult to fix with precision what their exact position towards the Government of India should be, and it seems to me that a tendency is frequently manifest to make that position approach very much closer to the lower standard than to the higher one. It is only on this supposition that I can account for the calls which I receive for information upon small matters of the merest local* interest—matters which may happen to have been noticed in a newspaper, but which have no general bearing and involve no question of principle; or for such an order as that which lately reached me, not to appoint to a newly created office on 1,500 rupees a month without reference to the Governor General; or again, for such an order as that which accompanied the recent sanction of the Government of India to establish a small cause court in Chumparun for the purpose of trying suits connected with indigo, that I was not to exercise a certain power expressly vested in the local Government by law, without the permission of the Governor General in Council.

I am free to confess that such orders as these are unpleasant to me as the head of a Government, because they seem to carry with them unavoidably an implied want of trust. And I think it is almost certain, if the Governor General in Council were entirely confined to the duties of general government, and were relieved altogether, (as Lord Dalhousie proposed he should be,) from the labour of administering the details of a local Government, that it would never occur to him to interpose in petty matters, and in personal matters, and in matters which the law has put into the hands of the local Government, as he now often does.

Therefore, in the hope of seeing some day a more distinct and definite line established between the general superintendence which a great central authority should exercise, and that freedom of executive authority which should be entrusted with confidence and generosity to local Governments, I deprecate the Government of India taking upon itself the immediate control of any fresh territories, and on the contrary, recommend that it should resign as early as convenient the control of those which still remain with it.

Looking to the particular case of the provinces now in question, I think there are also special reasons adverse to their creation into Chief Commissionerships under the immediate authority of the Governor General in Council. Take, for instance, the case of the outlying districts on the north eastern and eastern frontier. There are—

The six districts of Assam proper,

The Cossyah and Jynteah hills,

The three British districts of the Cooch Behar Commissionership, including the permanently settled district of Gawalparah.

The district of Cachar.

Now, the reasons which may be properly advanced for taking territories under the immediate authority of the Governor General in Council, apply with greater force to the western Dooars, the eastern Dooars, and the tract belonging to the district of Darjeeling, than they do to Assam. The Dooars, and a great part of the tract belonging to the district of Darjeeling, are recently-acquired territory, and difficult questions may occur in connection with the settlement of the land revenue as to the relative rights of the State and of individuals, and again, as to the proper positions to be assigned to the different parties who claim an interest in the soil.

I apprehend, that it was with reference to the adjustment of such points as these, in other words, to the *settlement of the affairs of the country*, involving in fact the equitable partition between the State and the different classes of the community, from the noble to the peasant, of all property in the soil, that Lord Dalhousie considered it right to keep in the hands of the Governor General in Council for a time the administration of new provinces.

Certainly in this view there is no reason at all for bringing Assam under the immediate authority of the Governor General in Council; and if it should be suggested that there is a special ground for treating Assam in an exceptional way, in the existence of an extensive cultivation of tea in the province, that ground is equally or more applicable to Cachar.

But to make one Chief Commissionership out of the several districts named above would certainly be very inconvenient. They are so situated geographically, and the means of communication between them are so extraordinarily difficult, that the Chief Commissioner, wherever his head quarters might be fixed, or wherever he might temporarily be, would
always

* As, for example, whether the report in a native newspaper is true that the inhabitants of a certain village are suffering from fever because of the luxuriant growth of the jungle round their village.

always be practically further removed from some portion of his jurisdiction than he would be if it were in Calcutta itself. I consider it would be a great error to place these several districts, so inaccessible to each other, and having no sort of connection* with each other, under one Chief Commissioner; on the other hand, it would obviously not be a convenient arrangement to take the tea districts only, that is to say, the six districts of Assam and the district of Cachar, for the purpose of creating a Chief Commissionership, and therefore we seem to be forced back upon the question, whether there is any good reason for taking Assam by itself and placing it under the immediate authority of the Government of India.

* The people of Assam, the people of the Cossyah Hills, the people of Cachar, the people of the Garrow Hills, the people of the Dooars, are all essentially distinct, each from all the others.

It certainly seems at first sight a singular proposal that the Government of India should take under its immediate management six half-populated districts, yielding a revenue of about 320,000 *l.* a year. If this proposal is made under an idea that the revenue will perhaps be more rapidly developed under the management of the Government of India, I answer that this does not seem probable, because the revenue has been increasing in Assam during the last few years at an unusually rapid pace. We raise now a revenue from opium of, say 140,000 *l.*, where in 1859 we raised nothing at all; and we have just set on foot measures for very largely increasing the land revenue throughout the Province. If the proposal is made under an idea that the material prosperity of the Province will be more rapidly advanced under the immediate management of the Government of India, I answer that I do not understand how this should be, except upon the supposition that the Government of India will spend more money upon Assam, if Assam is immediately under its authority, than it will allow to be spent if Assam remains under the authority of the Government of Bengal. It would not be right to suppose this.

With respect, however, to this question of the material prosperity of Assam, I am inclined to think there is some misconception. The people in Assam are undoubtedly better off already than in most other parts of India. They are so well off, and the population is so sparse, that there is a great want of a labouring population, and it is this want which forms the great obstacle in the way of European enterprise.

The state of the communications in Assam is no doubt bad, but not exceptionally so. The means of communication are not worse, or much worse than they are in many other parts of Bengal. And roads, however conducive to comfort and convenience, are not at all the greatest want in Assam. Labour at a moderate price is the greatest want in Assam, and it is my strong impression that unless it is provided, tea cultivation will not flourish. Is the Government prepared to do anything *in this direction* to promote the prospects of the Province of Assam and the development of its resources? Roads may come afterwards and by degrees. *What is wanted to give life to the Province is a labouring population.* Will the Government assist European enterprise in *this* matter, as European enterprise has been assisted in the Colonies? If the Government will not do so, it is a matter of perfect indifference whether Assam remains under the Government of Bengal, or is taken under the immediate management of the Government of India. If the Government will do so, the material prosperity of Assam will be promoted, so far as the cultivation of tea can promote it, quite as well under the Local Government as under the Government of India.

The question is one of expense. Assam, as I have said above, is a very sparsely populated Province. Land is most abundant; the indigenous populations are generally well off, and care only to cultivate so far as to meet their own wants. A foreigner, therefore, starting a special cultivation of his own, finds that he must import foreign labour; he also finds—or if he does not, the Government does, and forces the obligation upon him—that having to reclaim his land from the jungle, he must take extraordinary and expensive measures if he wishes to keep his foreign labourers from sickness and death.

These measures, added to the first cost of importing his labourers and to the high wages he has to give them, make foreign labour so costly as to render it nearly, if not quite, impossible to cultivate at a profit. At best the margin is so narrow that any mischance will sweep it away.

Unless then some aid *in this direction* is given by Government, all efforts and expenditure in road-making will be without any sort of effect whatever in promoting the development of the resources of Assam so far as the cultivation of tea is concerned. And the new-born interest in Assam is unquestionably due solely to this new phase of European enterprise.

There are other special grounds why, in my opinion, it would be unreasonable and inconvenient for the Government of India to take a petty Province like Assam under its immediate authority.

The arrangement will provide a management between the Government of India and a Chief Commissioner, much more inconveniently divided than it now is, between the Lieutenant Governor and the Commissioner. A person interested in Assam affairs will have, under the Chief Commissioner, organization, to go in one matter to the Chief Commissioner in Assam, where now he would resort to the local Government in Calcutta; and again, in another matter, he will have to go to the Government of India (perhaps at Simla) where now he would also resort to the local Government in Calcutta. Now, seeing that European enterprise in Assam is for the most part conducted and controlled from Calcutta, such a result as this will not conduce to public convenience. It would only be a degree more inconvenient, were the Government of India to take the coffee plantations of the Wynad under its immediate management in order the better to develop the resources of that tract.

Surely the proper arrangement to make is very obvious, namely, to make the Commissioner of Assam—and perhaps other outlying Commissioners—independent of the central

departments

departments in Calcutta, such as the Board of Revenue, the Inspector General of Gaols, the Director of Public Instruction, and the like; to give him his own officers for such departments, and so to free him from all control excepting only that of the local Government.

This, I believe, is the system under which Scinde has been administered, and I desire strongly to recommend its adoption for Assam.

Again, look at the whole operations connected with European undertakings in Assam. It is not only that they are for the most part controlled from Calcutta, but they are entirely dependent upon Bengal for all that they want, labour included. Hence it would literally follow that in some cases (as, for instance, where the protection of the labourer during the period of recruiting and of transit to Assam was in question), the local Government of Bengal would stand to the Calcutta Agent for Assam interests in the position of a foreign Government, and in other cases, where the assistance of the local Government might be wanted, the Calcutta Agent would have to seek it either from Simla or from Assam itself. The Government of Bengal seated in Calcutta, having nothing to do with the affairs of Assam, could of course in no way interfere.

From every point of view, then, it seems to me inexpedient that the Governor General in Council should take Assam under his "immediate authority and management," and I strongly recommend, instead, that it should be placed on the same footing in connection with Bengal, which Scinde has long held in connection with Bombay.

I proceed to the question whether it is expedient that the Government of Bengal should be placed on a footing similar to that of the Presidencies of Madras and Bombay.

I have endeavoured, in what I have hitherto written, to show that the government of the territories now under the Lieutenant Governor of Bengal entails a load of business and of responsibility which cannot be thoroughly and efficiently dealt with by one man. I have ventured to assert the almost impossibility of re-uniting the agency for the Government of Bengal with the agency for the general Government of India. I have stated the objections, which appear to me to exist, both on general and particular grounds, to a territorial dismemberment of the existing Government of Bengal, by the creation of one or more Chief Commissionerships under the immediate authority of the Government of India.

And I have expressed a very decided opinion against the abolition of the separate Bengal Legislature.

I must, therefore, view the immediate question now in hand as one concerning the Bengal Government as it now is, including a local legislative Assembly, whose functions it is, in my judgment, desirable to expand rather than to contract.

If these may be accepted as the conditions of the case, it appears that the question to be determined is essentially narrowed to this: shall the form of government for Bengal, as Bengal now is, be according to that existing in Madras and Bombay, or shall it continue to be in the form already existing in Bengal, with such accession of strength to the Secretariat as shall put it in the power of a Lieutenant Governor with the aid of his Secretaries to dispose of all the business, so far as mere quantity is concerned, which comes before the Government.

My own opinion has for long been in favour of the former alternative. It will not probably be expected that I should discuss at length all the abstract advantages and disadvantages alleged by different persons to belong to the one or to the other plan of government. I think it only necessary to state briefly my own opinion, that where a Governor is a fit man for his position, a Council, if selected with ordinary care, will never prove a hindrance to him, but, on the contrary, will be a great assistance and strength to him. There will be no difference of opinion perhaps as to the advantage of a Council on the supposition that an unfit person should be appointed to the office of Governor.

It appears to me, looking to the powerful, and at times conflicting interests which have to be dealt with in Bengal, and to the manner in which the educated classes, both English and Native, are able to act upon the Government in Bengal, that the administration should be constituted so as to carry with it a very decided influence and weight with the community. I question whether it is given to many men under any circumstances, standing alone, to maintain the position and influence which the Governor of such a province as Bengal ought in my opinion to have. I feel certain that such a position can be very rarely indeed attained by a Lieutenant Governor standing alone, and surrounded by very little of the outward dignities of Government, who has risen to his position through the ranks of the local service. This is not a matter, however, that I care to dwell upon. The considerations which I point to will readily suggest themselves to any one—and especially to any one who knows India, and who is aware of the contrast between the circumstances and the prestige of the local Government in Calcutta and those of the Governments at Madras and Bombay—and even, I might add, of the local Governments in Upper India.

It will, I think, hardly be denied, to take another view of the case, that the provinces and the communities comprised within the Lieutenant Governorship of Bengal have a claim to the very best form of government which can be given to them. I expressed my opinion some months ago in a letter to the Governor General, that "full justice will not be done to the large and important interests of the Lower Provinces of Bengal, until the constitution of a full government, with an executive as well as a legislative Council, is given to them." This is still my opinion. I believe that a Governor in Council will have more weight with the public, and more weight with the Government of India (and the one is not less desirable than the other) than a Lieutenant Governor can ever have. I believe that a Governor in Council will be both stronger to govern and more powerful to obtain full consideration for, and full justice to the demands of Bengal than a Lieutenant Governor is ever likely to be.

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I am sure that the business of the Government will be better done by a Governor in Council than by a Lieutenant Governor with a secretariat however strong. The business being undeniably a great deal too much for the powers of any one man, it must necessarily be divided. A formal division of business between a Governor and his secretaries is anomalous, and open to obvious objections. It is not recognised, and I think never would be well accepted by the public. On the other hand, we have fully proved the plan of a formal division of business between a Governor and his council in the case of the Government of India. I have seen the plan at work for five years, and I cannot call to mind one instance in which any misunderstanding or embarrassment has arisen from it. The official community outside of the council, as well as the non-official public, fully apprehend the arrangement. They know that nothing of real importance, nor any serious personal question, is decided without being put before the Governor General, and as to other matters the arrangement apparently gives entire satisfaction. And that it has proved really conducive to the prompt and effective dispatch of business there is doubt at all.

It would certainly not be impossible to combine the office of Member of Council with that of Secretary, strengthening the secretariat below; but I do not myself consider that that arrangement would be likely to prove as satisfactory and efficient as our Indian system of separate members of council and separate secretaries. Such an arrangement was at one time contemplated by Lord Canning, and there are some excellent minutes regarding the proposal, by which I believe Lord Canning was convinced that for the Government of India the arrangement was not an expedient one.

On the whole, then, I am bound to say that in my opinion the best form of Government for Bengal is that which has for so long been enjoyed by the Madras and Bombay Presidencies.

I do not attach weight to the objections which are glanced at in the 5th paragraph of the Secretary of State's Despatch. On the contrary, I incline to think that in some respects the machinery of administration will be likely to work more smoothly by the raising of the status of the local government. The line of authority between the two Governments will be then more clearly seen, and be more carefully respected by the officers of the superior Government than it now is.

I would not, however, be understood to think that it is a desirable state of things that the Government of India and the local government should at all times be present together in Bengal. The negative of this, however, is merely to say that it is not desirable that the Government of India should at all times be present in Bengal.

This I apprehend to have been one of the leading ideas which found expression in the Indian Councils' Act of 1861.

The practical application of it is that the Council shall, as a rule, be where the Governor General is; for no one has ever for a moment contemplated that the Governor General should not, during a considerable portion of his term of office, be away from Calcutta. It is well known that Lord Canning held very strong opinions as to the expediency of the Government of India—that is to say, the Governor General in Council—assembling at other places than Calcutta. It is known that Lord Elgin had made every preparation at the time of his death to carry out such an arrangement. It has been left, however, to the present Governor General to give practical effect to the provisions of Section 9 of the Indian Councils Act.

I may perhaps be permitted to say, having been a member of the Governor General's Council for five years, that in my opinion the modern practice of the Council accompanying the Governor General when he leaves Bengal is an immense improvement upon the older practice, under which a Governor General would be for a year, or two years, or sometimes longer, away from his Council. My opinion has been formed upon conviction. I have had personal experience of both arrangements, and I was at first, in 1864, opposed to the idea of the Council leaving Calcutta. I thought that inconvenience and delay would arise in the transaction of business owing to the necessary division of the offices and of records. Nothing of the kind, however, occurred, and I am now entirely satisfied that it would be a very great mistake on public grounds to revert to the old plan of the Governor General himself visiting other parts of India, and leaving his Council behind him in Bengal.

I may say in passing, however, the present arrangement seems to me to afford an additional reason for restricting the Government of India to the duties of general government, if it be only with the object of preventing its present somewhat cumbrous machinery from growing still larger.

If it should be determined to place the Government of Bengal on the same footing as that of the Presidencies of Madras and Bombay, it will of course become necessary to consider many subsidiary matters which it is unnecessary at present to discuss in detail. I perceive no serious obstacles in any of the matters to which I refer.

There is already practically a separate Civil Service for the lower Provinces, and the only real interest which is common to the whole service in lower and upper Bengal is the Civil Fund for widows and children. That must remain on its present footing.

The ecclesiastical service is common to the whole Bengal Presidency, and may conveniently remain so, certain chaplains being, as now, made available for service in Bengal. This is at present practically in the hands of the bishop, and would properly remain so.

The military medical service, constituted as at present, must necessarily remain, as a service, under the Government of India. But there will be no difficulty in organising a distinct medical department for Bengal, and transferring from time to time for service under the Government of Bengal a certain number of the army medical establishment. There is already, in my opinion, a strong need of a separate medical department for Bengal,

and I purpose to submit the question for consideration in reference to a communication from the Government of India now before me, in which it has been suggested that the civil medical officers in Bengal should be placed under the control of some local functionary instead of being, as at present, under the Deputy Inspectors-General of military hospitals.

The army of course will remain under the Government of India, and it is perhaps a question whether the whole army of India might not in this respect be with advantage assimilated. Such an arrangement would seem to be compatible with the plan which I think was put forward, some years ago, by a member of the Government of India, of appointing provincial commanders under every Government, who, while amenable only to the central military authority as to all general matters, would attend to the requisitions of the local governments for local objects.

There will be no difficulty in organising a separate Public Works Department for Bengal. It is indeed, in my opinion, very desirable to do so in any case.

It only remains for me to notice the special subjects adverted to in paragraph 21 of the Secretary of State's Despatch. Some time before I received this Dispatch the Government of India had forwarded to me a copy of Mr. Campbell's supplementary report in connection with the late famine in Orissa. This report enters fully into the question of the constitution of the Bengal Government, including the Secretariat and the Board of Revenue. In preference to adding to this paper, I venture to submit with it a memorandum on Mr. Campbell's report, which Mr. Dampier, the Officiating Secretary to the Government of Bengal, has drawn up at my request. Mr. Dampier's views on the administrative details which he discusses are entitled to every consideration, for he is one of our ablest officers, and he has served with marked success as a district officer, as Secretary to the Board of Revenue, and for some years as Commissioner of the most arduous division, both as to revenue and general work, under this Government. I agree fully in all the suggestions he has made. I was, at first, of opinion that with a Council any intermediate chief revenue authority between Government and the Commissioners might be altogether dispensed with, but on further consideration I am satisfied that Mr. Dampier's view on this point is the sounder.

I entirely agree also in Mr. Dampier's views as to the police. There can be no question that making the whole of the Provinces under the Bengal Government one police district was a mistake. It was, indeed, opposed to one of the fundamental principles laid down in the memorandum communicated by the Government of India to the Police Commission, namely, that "no officer should have a larger charge than he can visit at least once in every year."

I feel that I ought to apologise as well for the length of this paper as for the delay in its submission. Notwithstanding its length, too, I am very sensible that it deals most imperfectly with the important questions discussed in it. For this, and for the time taken to prepare it, I can only plead that I have been able to give no continuous attention to it. The constant pressure of current business, which will not wait, has prevented my doing so.

Calcutta, 13 March 1868.

W. Grey.

NOTE ON MR. GEORGE CAMPBELL'S PROPOSALS FOR CHANGES IN THE EXECUTIVE MACHINERY OF BENGAL.

It may be taken as admitted that the requirements of the Lower Provinces of Bengal have so much changed and increased, that material alterations in the machinery of their Government are necessary. The question is, what those changes should be.

2. Mr. Campbell first proposes to draw closer the relations between the Government of India and the local Government, by making the head of the local Government an *ex-officio* member of the executive Council of the Government of India.

3. I am entirely opposed to this proposal. I would strengthen the local Government upwards and in its relation to the public by giving it greater authority, and by loosening the relations which exist between it and the Government of India, as I would strengthen it downwards by placing it in more immediate connection with the districts.

4. The objection to his proposal, which Mr. Campbell himself gives in his 6th paragraph, is, I think, of much more weight than he assigns to it. The attention and time of the head of a local Government, with a seat in the Governor General's Executive Council, would inevitably be drawn away to an extent which would be pernicious to the local Government by the larger and more important questions which are constantly before that Council. Whatever may be the theory as to his not taking an active part in such measures, it seems to me that it cannot reasonably be expected that he would resist the greater attractions and interest which such questions would present.

5. Another objection to the proposal is that the arrangement could only be looked upon as temporary. The time is rapidly approaching at which, for reasons quite independent of the consideration that its presence in Calcutta dwarfs the local Government, the Government of India will seek another seat, and with its removal, whether to Mr. Campbell's Nassik or elsewhere, the proposed arrangement would fall to the ground. Anything
which

which can now be done towards loosening the ties between the Government of India and the local Government is so much done towards the changes which would then be necessary.

6. If the head of the local Government were not made a member of the Executive Council of India, one of the reasons for which Mr. Campbell would give him assistance in the shape of a deputy governor would disappear; but even without this reason, I think that ample grounds exist for giving him authoritative assistance in some shape.

7. No one will deny that the numerous and extensive departments of which the control now rests on the Lieutenant Governor produce an amount of work which it is physically impossible for one man to perform; work, I mean of such a nature as to deserve and require the *personal* attention of the Head of Government, as distinguished from mere formal work and the minor matters which are not purely formal.

8. The assistance for the performance of such work as this may be given either in the shape of a deputy governor, or of a chief secretary on the footing of a Colonial Secretary in the British Colonies, as described in para. 13 of Mr. Campbell's report; and by whatever name he may be designated he should certainly be "avowedly next to the Governor in the administration." He should avowedly exercise, and be recognised as exercising, such of the functions of the Government as the Governor may choose to delegate to him.

9. At present the position of Secretary to Government* is recognised as being on an equality with that of most of the civil officers subordinate to the Government of Bengal with whom he has to deal directly; to that of others it is inferior. A system under which an officer so situated acts from "behind a screen," as Mr. Campbell puts it, that is, is obliged to do much himself under the fiction that every particular act has been resolved upon by the head of the Government, is, I think, objectionable; it is liable to be unpopular and even offensive.

10. My own belief, however, is, that the requisite assistance to the head of the Government may best be given in the shape of a Council. Without repeating them, I may say that of the well-known arguments which have been advanced in every form on both sides of the question, those in favour of the Council appear to me to preponderate for the Government of a province which has advanced as far as ours. But if Mr. Campbell's impression be correct that in Madras and Bombay the functions of Councillors "are for the most part purely deliberative, that administrative work is not made over to individual Councillors," I would not follow that model; to do so would in fact miss the main object of giving to the head of Government assistance in exercising the authority of control. The ordinary administration of the different departments should be divided among the members of Council, as is done in the Executive Council of the Governor General.

11. The abolition of the Board of Revenue as such may be taken as resolved upon. It has been said that the abolition of an authority intermediate between that of the local Commissioners and of the Government in Revenue matters would at once swamp the Government with details which are indispensable to the proper supervision of the local authorities, and to the preservation of uniformity of practice; it has, therefore, been proposed to substitute for the Board a Chief Commissioner of Revenue. But from the knowledge of the work in the Board which I acquired as its Secretary, I look with apprehension on the proposal to throw on one officer the whole of it, even when reduced by such parings as can be effected by increasing the powers of Commissioners and making the collector of customs "the Chief Customs Authority;" I believe that to do so would be to re-produce, as to the Chief Revenue Commissioner, the state of overwork which it is now the object to remedy as to the head of the Government.

12. I would avoid thus overwhelming the Chief Commissioner of Revenue, and I would at the same time attain the object of shortening the chain of communication between the Government and the districts, by taking directly into the hands of Government the department which is known as Land Revenue. The technical description embraces much more than the actual meaning which the words convey. It includes a great number of miscellaneous matters which are not immediately connected with Land Revenue. Some of these are by law entrusted to the Board, such as the control of endowments for charitable, and, until lately, for religious purposes; the court of wards and the general control of the Revenue Establishments from the Commissioner in his Revenue capacity downwards: other matters have rather drifted into the Board's hands, such as lately the supervision of the arrangements for the supply of food to the famine-stricken districts. All this I would take directly under the Government.

13. The principles of the administration of land revenue proper and the arrangements in connection with it, at least in the permanently settled districts of these provinces, have become set and stereotyped. They are well known. Great changes, requiring minute and laborious supervision in order to secure uniformity, rarely take place. Important questions necessarily arise, but even according to the present practice most of these come up to the Government from the Board. Under the proposed change of system, they would

* This applies to the General Department of the Secretariat; the Secretary in the Department, Public Works, is also head of his department as chief engineer.

would come up direct from the local Commissioner as he now submits them to the Board; with the opinion of the Commissioner, founded on local experience, before it, the Government would be in as good a position as a Board or a chief Commissioner for coming to a conclusion. In the non-regulation provinces, it is true that the land revenue management is not so set and formal, in fact, its details run into the other extreme; the features of every case are so peculiar to itself that there can be little generalization, there is little room for precedents; and the opinions and recommendations of the Commissioner, founded on local knowledge necessarily have the greatest possible weight with the Government. This is perhaps the reason why, as it seems to me, the Board's intervention in cases from the non-regulation provinces is not of much practical value to the Government. It may be observed that where the exceptional nature of circumstances is carried to an extreme, as in the Sonthal Pergunnahs, the tributary States of Cuttack, and the new frontier districts of the Garrow Hills and the Chittagong Hills, the local authorities are already made independent of the Board, and placed in direct communication with Government.

14. In reply to the objection that the Government would be swamped by details, if the immediate supervision of the local Commissioner in these matters were thrown upon it, I reply that I see no reason why Mr. A., as a member of Government, and Mr. B., as Revenue Secretary to Government, should not be able to manage the details which they can manage as member and Secretary of the Board of Revenue,* reduced as they would be by increasing the powers of Divisional Commissioners; there would also be an obvious and considerable reduction in labour from saving all the correspondence which now passes between the Board and Government. The discussion and consideration of such cases by two central authorities would also be avoided.

15. In controlling the departments directly, the Government would, doubtless, occasionally feel the want of the assistance of the officers who are engaged in the practical working of them, for framing rules of practice for general guidance which must occasionally be necessary, and for similar purposes. To provide this, I would to a certain extent adopt the suggestion made at the end of Mr. Campbell's ninth paragraph. The Commissioners of Divisions not lying on the railways must be located in the capitals of their divisions, and must remain there; they would lose half of their efficiency, and the object of their appointments would be missed, if they were brought to the Presidency. But this does not seem to apply with such force to the Commissioners of Burdwan and Bhagulpore. If located at the Presidency, the Commissioner of the Burdwan Division would be at about three hours' journey from his present head-quarters; and the Commissioner of Bhagulpore would reach his present station in one night's railway journey. These two Commissioners might have their head-quarters at the Presidency, or be periodically summoned to the Presidency, and with the Commissioner of the Presidency Division, might form a Committee which should prepare rules of practice in all Commissioners' Departments, and which should give opinions on any question referred to them by Government as to the administration of the Judicial, Police, or Revenue Departments. This Committee would deal with nothing which was not specifically made over to them by Government. They would issue no orders, but would act as coadjutors only of the Government in such matters. The Commissioners located in Calcutta would, of course, be expected to visit all the districts of their divisions in the cold weather; and to be ready to go to the spot in any part of their division at any time that their presence might be required. The fact of their having head-quarters in Calcutta would in no way affect their mobility.

16. In addition to the control of the land revenue which would be managed directly in communication with the local Commissioners, the revenue branch of the Government Secretariat would have to deal with the work of the other special departments of revenue, of which I would leave the direct control in the hands of the Chief Commissioner; for I think such an officer would still be required.

17. The fixity which I have said characterises the main arrangements concerning land revenue proper does not extend to other branches of revenue. The administration of the salt department, for instance, is of a very different character; changes are frequent, experiments are constantly being made. General questions, as distinguished from individual cases, are constantly rising. Shall a preventive line be run from this place to that? Shall salt be sold free of duty within the manufacturing tract for the consumption of the manufacturing population? Shall two per cent. or five per cent. be allowed as the rate of wastage on bonded salt within a certain time which shall be admitted without question?

18. Similarly in the administration of what are known in the Board as "assessed taxes" (such as income tax, and license tax), nothing has assumed a fixed or permanent form. The taxes themselves are liable to constant change, and each change makes necessary a revision of establishments, the decision of numerous questions of practice, and the closest supervision of the local operations by one head, in order to secure anything like uniformity.

19. There is another consideration which makes it desirable that even if the land revenue be taken into the direct management of the Government, a central controlling and

* Unless a Council were established I do not think that these duties could be thrown on the Government direct.

and appellate authority should be interposed between the Government and the Commissioners and other officers holding corresponding appointments in some of the other revenue departments, such as customs, salt, opium, excise and assessed taxes. In many land revenue questions, no doubt, the pecuniary interests of Government are affected; but they are mixed up with other matters; and certainly the pecuniary aspect of the question, as far as the Government is concerned, does not stand out so prominently in a settlement case as it does in fixing at what price the stock of Government salt shall be sold off, or in discussing whether an opium merchant shall be compelled to make good the amount which he bid at a sale. In such cases, especially in those in which the commercial community of Calcutta is concerned, I think it undesirable that the Government should be brought face to face with the private parties whose interests are affected. The appeal against an order declaring a lot of goods to be confiscated for breach of a Customs regulation, is surely more properly and satisfactorily disposed of by the head of a department than by the Government itself.

20. I would then have a Chief Commissioner for these branches of the revenue, and to obviate the uncertainty as to responsibility for certain matters which, when sitting on the Famine Commission, we found to exist between the Government and the Board, I would have it distinctly understood that everything not specifically entrusted to the Chief Commissioner rests with the Government. If there be any doubt as to the full occupation of the Chief Commissioner's time, I would point to the department of statistics of which; the creation cannot be far off, as one which might properly be placed under his control; indeed, it should be understood that on the introduction of any such new department or new scheme the organization of its details would be entrusted to the Chief Commissioner.

21. These arrangements would entail the transfer to the Secretariat of the greater part of the Board's office. To meet the increase of work thrown on the Secretariat, it would be necessary to have a third Secretary; the civil portion of the Secretariat would then consist of three departments, as proposed by Mr. Campbell:—

I. The Judicial, including Police and General Executive Administration of Justice;

II. The Revenue;

III. The Miscellaneous, including Political, Education, Medical, Marine, and everything not falling within the Judicial or Revenue Departments; each department would be distinct from the others and in charge of a secretary; but it would probably be necessary to arrange that questions of a general nature, that is, affecting more than one of the departments, should be dealt with by one particular secretary; of course, in close communication with the others concerned. He might be the chief secretary. As the appointment of the second secretary would be compensated for by the abolition of one of the two appointments in the Board of Revenue, so the appointment of a third would be justified by the abolition of that of Inspector-General of Police, with which I would dispense, replacing the police of each division under the Commissioner of the Division. I have never been able to understand what practical advantage could be expected from making the officers and men so differently circumstanced as those employed in Chittagong and Arrah, in Luckimpore and Lohardugga, in Rungpore and Orissa, members of the same force. Nor have I seen that any appreciable benefit has resulted therefrom; and, indeed the question has now been raised whether the circumstances of some of these places are not so different, and the distances between them so great, that they should even cease to be administered by the same Government.

22. Some years ago, sitting on the Finance Commission, I concurred in a recommendation that one of the two opium agencies should be abolished. Since then the breadth of territory over which opium is grown has been so much increased, that probably local supervision could no longer be properly exercised by one agent. I would retain the two, placing them under the Chief Commissioner.

23. The Collector of Customs, too, for reasons given above, I would place under the Chief Commissioner. Salt and customs are now so closely connected that they should be under the same controlling authority.

24. The powers of the Commissioners of Divisions being considerably increased, and the superintendence of the police being restored to them, I would on no account reduce their numbers, as proposed by Mr. Campbell. I look upon it as quite impossible; at any rate, in the divisions which are not in immediate and close communications with the Presidency, to dispense with a head local authority, or representative and agent of government, as distinguished from a central and distant controlling authority. It has been proposed to reduce the Commissioners of the Regulation Districts to six, instead of to four, as advocated by Mr. Campbell. I am entirely opposed to this. Even under that scheme I am convinced that the Commissioners of the Divisions in which the work would be most concentrated would be worked beyond the possibility of efficiency, while in the more distant divisions the enormous areas which would be assigned to the Commissioners, and the difficulties and delays of communication, would place *that officer* rather in the category of a distant central authority, which we do *not* want, than of one with a practical

local knowledge, available both for the control of district officers and for advising the Government.

25. Mr. Campbell, in his 9th paragraph, doubts "whether, as the service is now constituted, and after a fair apportionment of ability to the judicial branch, so large a number of men will usually be found on whom sufficient reliance can be placed to act without the intervention of any such controlling power as the Board." I do not share his doubt. Out of the service, as it is at this moment constituted, I am very confident that there will never be a difficulty in selecting an able and efficient Commissioner, and, which is perhaps still more to the purpose, one on whom thorough reliance can be placed. In writing this, I assume that care will be taken if the judicial and executive branches of the service be separated, as proposed below, to make the material attractions of the executive line as great as those of the judicial.

26. For the present, I need follow Mr. Campbell no lower in the details of his scheme of administrative machinery, but I will say generally that I cordially agree in his recommendations that a complete separation should be made between the judicial and executive branches of the service. Eventually this should be effected throughout; an outline of a scheme for doing so, as far as the covenanted service is concerned, is already under consideration.

27. The present magistrates of the district being thus deprived of all judicial functions, might be designated Deputy Commissioners, and under them the police, as well as all other executive departments should be directly placed, the district superintendents being absolutely their assistants primarily for police purposes.

28. The arrangements which I have proposed will provide :

A Governor with a Council, each member of which will undertake the executive work of certain departments :

Three secretaries (with under-secretaries) at the head of three independent departments, one having a position somewhat higher than the others ;

A financial or other Chief Commissioner, controlling the customs, salt, opium, excise, stamps, assessed taxes, and any other similar new departments which may spring up ;

Two opium agents and the collectors of customs at Calcutta, and other ports, under the Chief Commissioners ;

Eight Commissioners of regulation divisions, and three of non-regulation divisions as at present, with increased powers, subordinate to the Chief Commissioner as far as his special departments are concerned ; but in direct communication with Government on all other matters ; and exercising their control over the police as well as all other executive departments in their divisions.

A committee of the three Commissioners whose divisions are most accessible from the Presidency, to frame rules of practice and give similar assistance to the Government when called upon to do so ;

Deputy Commissioners at the head of the police and all other executive departments of their districts, with district superintendents and other executive assistants, covenanted and uncovenanted ;

A judicial branch of the service, which should give an assistant judge as well as a judge to each district, through which appointments covenanted officers should enter the judicial line.

29. Eventually, I should hope to see the principle carried down lower ; a judicial and an executive officer being located at every one of the sub-divisions into which these provinces are now being divided.

(signed) *H. L. Dampier.*

10 March 1868.

Enclosure 10, in No 11.

MINUTE by His Excellency the Governor General.

1. ON receipt of the Secretary of State's Despatch, No. 10 of the 16th January last, regarding the proposed modifications of the Government of Bengal, I recorded a Minute dated 19th February, embodying answers to the specific questions put by the Secretary of State ; and at the same time I referred to a Memorandum which I had prepared upon the general subject in January last. My honourable colleagues have now recorded Minutes expressive of their replies to the questions put by the Secretary of State. These Minutes raise various points, to some of which I will finally advert, before transmitting the papers to Her Majesty's Government. In this, as in my former Minute, I shall follow the order of the questions as put in the Secretary of State's Despatch.

2. In answer to the first question, I have already stated that I do not consider it necessary or desirable that Bengal should be placed under a Government similar to that of Madras and Bombay. The majority of my honourable colleagues and the Lieutenant Governor of Bengal (Mr. Grey) are indeed favourable to the proposal. But, for the reasons

reasons given in my Memorandum of January last, I am still decidedly averse to it. I would further refer to the reasons recorded with the same view as myself by my late colleague, Sir W. Muir, whose acquaintance with the practical working of Government by Lieutenant Governors is unsurpassed.

3. One of the main reasons assigned in favour of the measure by Mr Grey is that a Governor in Council in Bengal would carry more weight than the present form of Government, which by itself has hardly as much weight as is desirable. Now, I affirm that, as a Local Government for the local administration of Bengal, the Government of the Lieutenant Governor has all the weight it needs. It may not have *by itself*, standing alone, so much weight as the Governments of Madras and Bombay. But it is supported and sustained by the immediate presence of the Government of India. And at Calcutta the British Government, composed as above, has as much weight as it could possibly have; more prestige, indeed, than the British Government either at Madras or Bombay. By way of converse I submit that if the Government of Bengal were to be made too independent, the weight and prestige of the Government of India would be affected; very probably differences would arise between it and the Government of India; and the general result would be to lower the status of the British Government at the capital of India and thence generally throughout the land.

4. Another main reason adduced by the Lieutenant Governor, is that the work of the Bengal Government is becoming too vast in amount for a Lieutenant Governor unaided by a Council to perform. Doubtless the statistical array of correspondence, as presented in his Minute, is formidable. But I feel convinced in my own mind that these figures give a too expanded idea of the real work. For, as compared with the size of Bengal, the amount of correspondence seems excessive. Either the correspondence must be to some extent of a routine character, or else the system of correspondence must be in need of abridgment. The apparent extent of work therefore must, I apprehend, be susceptible of reduction. But allowing that the real work would even then appear very heavy, I still deny that the Lieutenant Governor's time would be at all saved by having a Council. If some trouble should be spared to him by a partial distribution of work among his Councillors, still, on the other hand, much time would be lost by long discussions in Council, more or less controversial, on subjects which might well have been disposed of by the Lieutenant Governor alone. The Lieutenant Governor's work would be increased and impeded rather than lessened or facilitated, if he had a council; instead of having more leisure to take up measures of improvement, he would positively have less than he now has. Having myself administered a Local Government without a Council, and a general Government with a Council, I am able to submit my opinion in the above point with some confidence.

5. If, however, the Lieutenant Governor be overburdened with work, the proper remedy is, not to give him a Council, which would only add to his labours, but to relieve him of some of the outer portions of his very extensive territories. For this reason, among others, I recommend that Assam be separated off from Bengal at once, which measure would afford sensible relief to the Bengal Government. Hereafter if the Bengal Government shall be found to be still overweighted, it may be further possible to separate off Behar, which has no real affinity to Bengal Proper, and which, together with some parts of the province of Benares, might be formed into a separate Lieutenant Governorship, as was done temporarily by Lord Canning in 1857-58.

6. And here I would observe that the Lieutenant Governor writes as if I wished to bring Assam more under the control of the Government of India, when recommending that that province should be formed into a Chief Commissionership. But my real wish is this, to separate Assam from Bengal, and to give it a strong administration of its own; the object being partly to relieve Bengal, but mainly to benefit Assam. In order to strengthen the new Chief Commissioner I propose to place him directly under the Government of India; and for no other reason. That such an officer would be essentially strengthened by being under the Government of India rather than under a Local Government will, I am sure, be affirmed by every officer who has ever held, or aspired to hold, the office of Chief Commissioner.

7. Another reason urged by Mr. Grey for having a Governor and Council for Bengal is to obviate detailed interference on the part of the Government of India. Now, I affirm that the Government of India does not interfere, and never has interfered, unduly, with the Government of Bengal; and that the instances of interference of any kind are but few. Mr. Grey does indeed mention two or three instances of what he supposes to be undue interference. A note on these cases will be found appended, wherefrom it will be perceived that there were good grounds for the proceedings taken by the Government of India. It seems to me that the line adopted by Mr. Grey amounts to a claim that he should say which are the matters wherein the Government of India may legitimately interfere; which would be about as reasonable as if the Government of India were to attempt to lay down the class of cases wherein the Secretary of State might interfere in the administration of India. I need hardly say that having myself selected Mr. Grey for the high post he so worthily fills, I have all reasonable confidence in him. Still I submit that the Lieutenant Governor of Bengal cannot be otherwise than benefited by remaining under the fair and moderate supervision of the Government of India. So far

from admitting that the cases adduced by Mr. Grey afford any reason for ridding him or interference from the Government of India, I would turn the argument quite the other way; and I would urge that if Mr. Grey takes exception (as I consider unreasonably) to these instances, what would he do if he were to be made a Governor in Council. Would he not at once assume virtual independence of the Government of India? And does not his own argument go to prove the very thing for which I contended, namely, that to elevate or strengthen the Government of Bengal beyond what it now is, would be to render it really independent, and to seriously injure the influence of the Governor General.

8. The Lieutenant Governor considers that there would be no grave difficulties in carrying out the details which would arise from the formation of a Governor in Council for Bengal. But I believe that there would be some difficulties of this kind. For instance, the status of the High Court at Calcutta would have to be modified; especially in respect to the appointment of judges, for which nominations are now made by the Government of India. Again, there would be difficulty in respect to the Public Works establishment, and in respect to removing that department altogether from under the supervision of the Government of India, as virtually proposed by the Lieutenant Governor. For the fact is, that despite the efforts even of Mr. Grey, the Public Works Department of Bengal is one of the least satisfactory departments in that province or in India; and is sorely in need of the best supervision that can be had.

9. In some passages of the Minutes, and especially in the Minute of his Excellency the Commander in Chief, it seems to be argued that some of the questions arising in Bengal are of a nature that can better be dealt with by a Governor and Council than by a Lieutenant Governor alone. I could not admit the force of any such argument. Owing to its permanent settlement, Bengal is exempt from many questions which prove troublesome in other parts of India. All really large questions which do arise have to be referred to the Governor General in Council; and this almost without any exception whatever. Indeed, such questions do not rest even there; for they are often referred to, or are taken up by, the Secretary of State in England. What, therefore, can be the use of providing a local Council for debating questions which must ultimately go to the Governor General in Council; and perhaps even to the Secretary of State in Council? No; the mass of affairs in Bengal is exactly of that description which can be better managed under a Lieutenant Governorship than under any other form of Government.

10. Not only do I foresee complications and discussions sure to arise from having two Governments with Councils at the same place (Calcutta), but I apprehend that complications might arise which cannot be precisely foreseen and the extent of which can hardly be appreciated beforehand.

11. But while deprecating the formation of a Governor and Council for Bengal, or the concession to the Lieutenant Governor of the title and status of a Governor, I would decidedly recommend that the emoluments of the Lieutenant Governor of Bengal be somewhat increased, and placed, not quite on a par, but nearly on a par, with those of a Governor. For the Lieutenant Governor of Bengal has harder work and more onerous responsibilities, and, moreover, has far greater calls on his liberality and hospitality than any other Lieutenant Governor. Indeed, at such a capital as Calcutta, the calls on the Lieutenant Governor are doubtless very great indeed.

12. Before quitting this part of the subject, I must advert for a moment to a suggestion thrown out by my honourable colleague, Sir H. Durand, that the appointment of Lieutenant Governors now made by the Governor General in Council, subject to the approbation of Her Majesty, should be made by Her Majesty's Government; and that the Governorships of Madras and Bombay should be reduced to Lieutenant Governorships. I feel bound to express my dissent from both these proposals. To take away from the Governor General this power of appointing Lieutenant Governors, subject to Her Majesty's approbation, would be seriously to lower his status and lessen his influence. The Lieutenant Governors are, by the name and constitution of their office, the deputies and lieutenants of the Governor General, and should, I submit, continue to be nominated and appointed by him, as at present. As to reducing the Governors of Madras and Bombay to Lieutenant Governors, I apprehend that no such proposal will be deemed practicable by Her Majesty's Government. I would recommend that those two Governments be left as they are, and in respect to their past and present status I would refer to what is said in my Memorandum of January last.

13. I have now set forth the additional matter which seemed to be called for respecting the first question put in the Secretary of State's Despatch. For further answer to that important question I would refer to what is stated in my Memorandum of January last, and my Minute of the 19th February.

14. In answer to the second question in the Secretary of State's Despatch, I have already explained that I would keep the form of the Government of Bengal and its relations with the Government of India just as they are; and I have not now anything to add. Indeed, the answer of this second question mainly depends on the answer given to the first.

15. In respect to the third question, namely, whether the local administration of Bengal should

should be placed in the same hands with that of the general Government of India, I have already said that I do not recommend this; and I find that my honourable colleagues say the same in effect; and I need add nothing now. Indeed, it seems to be generally considered that this measure, if carried out, would be a decidedly retrograde step.

16. The above remarks apply equally to the fourth question regarding the undesirability of restoring the relations which formally subsisted, whereby the Lieutenant Governor might be made a member of the Governor General's Council with the title of Deputy Governor of Bengal. I certainly think that he should *not* be member of the Governor General's executive Council; but he might continue to sit on the Governor General's legislative Council.

17. The fifth question in the Secretary of State's Despatch relates to the maintenance or discontinuance of the existing local legislature of Bengal. Now, in my Minute of the 19th February, I recommended that this local legislature be abolished; and I am still of this opinion. I answer the question affirmatively in the exact terms put in the Secretary of State's Despatch, namely, that "the Lieutenant Governor should himself possess (subject of course to supervision by the Government of India) legislative power for limited purposes; all other legislation for Bengal being entrusted to the general legislature." But the majority of my honourable colleagues and the Lieutenant Governor are strongly against the proposal; and I must advert very briefly to the arguments adduced.

18. It is urged that the Bengal Legislature has done much work, and done it well; which work would have not been so well done by the Governor General's legislative Council, and would have burdened that Council in the doing. Now, I have examined a list of the Acts passed by that Council for the last four years; that list is appended to these papers. It will, I think, be found that much of this legislation relates to what have been termed by one of my honourable colleagues "parish vestry" subjects, which might have been more efficiently disposed of in the administrative than the legislative department, and which were not really worthy of the formal machinery of a legislature. Doubtless, I should be sorry to see the Government of India take over *this* class of business; on the contrary, I would transfer it to the undivided management of the Lieutenant Governor (subject only to the general supervision of the Government of India), who would by himself do it better than it is now done by the local legislature. On the other hand, such of the business as may be of any importance, I certainly would transfer to the Governor General's legislative Council, being convinced that this last-named Council is far better than any local council could be; and far more suited to deal impartially with grave and powerful interests. Moreover, in reference to what is urged by my honourable colleague, Mr. Maine, I do not believe that the amount of business thus limited would prove at all too much for the Governor General's Legislative Council. There is some danger of large provincial questions being dealt with in a comparatively narrow spirit by a local legislature, where particular parties might obtain a preponderance. Such measures would have a far better hearing in the Governor General's Council, which has representatives from Bengal and other parts of India, besides having the presence of the Governor General's executive Council and of the Lieutenant Governor himself. For instance, Bills relating to Cooly labour, to indigo, to contracts, to rents of land, would be dealt with much more satisfactorily and much more liberally, in the true sense of the term, by the imperial than by the local legislature. Questions of some such importance as these are the only questions which really demand legislation; and such legislation can be best afforded by a general and not a local council. Lesser questions had best be left to the Executive. Moreover, the waste of time, the fruitless discussions, the exaggerated notions, which inevitably arise in a local legislature, on comparatively petty subjects, are in themselves objectionable, distracting the minds of the local Government and of its officers from the weightier matters of administration, and rendering them less apt to examine into the realities of the interior of the country. Thus this playing at legislature detracts from the vigour and efficiency of the Executive, and impairs that sort of active management which is essential to all Indian provinces, and to none more so than to Bengal.

19. Lastly, there is the difficulty of finding gentlemen, European and Native, competent to fill places in two Legislative Councils in Calcutta. As explained by my honourable colleague, Mr. Maine, it is difficult to fill even the Governor General's Legislative Council properly.

20. For all these reasons, I regret the constitution of the local legislature for Bengal, and I would desire to see its abolition, if that were possible. But several of my honourable colleagues have forcibly urged that even if such abolition were desirable, it would not now be reasonably possible. It is said that such a legislature having once been conceded to Bengal, can hardly be taken away: that any attempt at deprivation would provoke much clamour and opposition, and would certainly cause much misconstruction and misapprehension. I cannot deny the truth of this: and taking the argument as it has been put, "*factum valet quod non fieri debuit*," I will not further press the point. For this reason, and for this alone, I will assume that the Bengal Legislature must remain as it is.

21. But, for the reasons already given, I am quite averse to extending the principle of local legislation to any other province besides Bengal, and I would not constitute anything of the kind either in the North West Provinces or in the Punjab. It may be, as pointed

out by some of my honourable colleagues, that the Act of Parliament contemplated the eventual formation of local legislatures in other provinces besides Bengal. But this question of time was necessarily left to be solved by the executive Government of the day. And I am clearly of opinion that the time has not yet arrived for acting on the permission thus accorded.

22. In the Minute of my honourable colleague, Mr. Maine, some doubt is expressed as to the Governor General's Legislative Council being able properly to undertake the responsibility of legislating for remote and comparatively unknown provinces, and, as to its being properly answerable for the result of its legislation in such cases. I do not myself share this doubt. That Council, as at present composed, is well suited for general legislation; the presence of the members of the executive Council ensures a sense of responsibility for result. This legislative Council ought to, and naturally will, regard, and even accept, the local points which are urged by the provincial administration, and supported by the Government of India, only applying its own acumen to the general principle.

23. With the above exception, all the arguments adduced by my honourable colleague, Mr. Maine, in favour of restoring to the executive Government that power of legislating for the less advanced portions of the country which it once possessed in fact, have my entire concurrence. In the above portions I would include all the territories now known as non-regulation provinces and districts. Whether the North West Provinces should come under this category could be decided when the details came on for decision, after the determination of the main principle.

24. Before quitting this part of the subject I must notice that passage of the Lieutenant Governor's Minute where it is urged that instead of the laws passed by a local legislature being assented to, or vetoed by the Governor General individually, as at present, they should be assented to, or vetoed by the Governor General in Council, and that in the event of veto the local Government should be entitled to tender explanation for the further consideration of the Governor General in Council. Now, I must say that I wholly object to this proposal. As having been appointed representative of the Queen, the Viceroy and Governor General communicates (subject to control by the Secretary of State) his assent or otherwise to Indian legislation. This power could not be modified without derogation of his just authority. If in doubt, the Governor General will of course consult his Council; for his own sake, when there be any cause for hesitation, he would naturally seek for such advice; but after that he should decide for himself, and on his own responsibility. But in a case of this nature any division of responsibility between the Governor General and his Council, or any formal discussion, would be a mistake.

25. The sixth question in the Secretary of State's Despatch relates to the desirability or otherwise of any change whereby the Government of India would be compelled to take a more direct share in the administration of the territories under the Government of Bengal, or of any other local Government. I have already stated my own opinion against any such change, and the majority of my honourable colleagues have done the same. I have now nothing further to add, saving that full authority to supervise and control should be reserved to the Governor General in Council, whenever he might deem it necessary.

26. The seventh question in the Secretary of State's Despatch relates to the arrangements to be made whenever the Governor General leaves Calcutta for any other part of India. As is well known, I have for the last four years taken my whole Council with me whenever I left Calcutta for the Upper Provinces. My honourable colleagues and the Lieutenant Governor of Bengal do for the most part testify strongly to the merits of this arrangement as being much superior to any previous arrangement. It is satisfactory to me to find that such is their opinion. I consider that the same principle should still be adhered to as much as may be practicable.

27. In reference to this topic, however, I must advert to a passage in the Minute of my honourable colleague, Sir H. Durand. It is suggested in the Secretary of State's Despatch that, when absent from his Council, the Governor General might summon to his assistance any one or two members of that body, with power to act, with that assistance, as the Governor General in Council, for such purposes as might be deemed expedient. In my Minute of the 19th of February, I expressed myself in favour of this suggestion, which I still deem to be very good; but Sir H. Durand considers that this would simply be to allow the Governor General to pack his Council, and to avoid the responsibility under which he now lies when away alone from his Council. I do not myself see why such objections should be applied to so reasonable a proposal. Lord Elgin summoned a member of Council to assist him when away from Calcutta. I have done the same for short periods. If the Governor General were obliged to be absent from his Council, he might find it most convenient to summon one member for particular business. If, for instance, the Governor General were alone near the scene of military operations, he might summon the military member; if some important law were pending, he might summon the legal member, and so on. In this, as in every other point, there should be afforded every facility for the Governor General and for his Council, either in whole or in part, for making circuits about the country, seeing and hearing every thing, and becoming acquainted with the officials and with the leading natives.

28. The eighth question refers to the power of summary or executive legislation for some parts of India. Having in my former Minute, and also in a preceding paragraph of this Minute, expressed myself in favour of this, I need not add anything here.

29. The ninth question relates to the capital of India. In my Minute of January last, and in my Minute of the 19th February, I have fully expressed my opinion to the effect that Calcutta should certainly continue to be the capital, and that no Commission of enquiry on the subject is called for. The majority of my honourable colleagues have declared their opinions in the same sense. I have nothing to add here.

30. A part, however, of the Minute of my honourable colleague, Sir H. Durand, is devoted to the deprecating of Simla being considered as an alternative capital, and of the Governor General and Council's residence there being regarded as a permanent arrangement. I concur in his argument to the above extent. Indeed I have never recommended that Simla should be declared an alternative capital, or that the Governor General and his Council should always spend a portion of the year there. This is a matter which should be left to the Governor General of the day to determine, as explained in paragraph 30 of my Memorandum of January last.

31. But when Sir H. Durand goes further and states that the journey to and from Simla causes loss of time; so that "for two months there is a *bonâ fide* paralysis of work," and that there are the gravest objections to the geographical situation of Simla as a locality for the Government of India; then I am unable to follow him. I do not understand how the supposed loss of two months' time is calculated. As a matter of fact, since the opening of railway communication, the journey from Calcutta to Simla can be accomplished in four days and nights. I have myself so accomplished it. The most ordinary traveller can do it in a week; even the clerks do it in less. I should myself calculate the necessary and unavoidable loss of time in the year at a fortnight, rather than two months. I do not believe that any delay worth mentioning is caused by the journeys to and from Simla; and as for the idea of this change of residence causing any dislocation of the official machinery, where is there any proof of this? Are there any arrears in any department of the Government of India? Are not all affairs, large and small, brought up to date? Have avoidable delays occurred in any class of cases? So far from anything of the kind being the fact, I might claim credit for my honourable colleagues and myself, on account of the constantly growing mass of business of the Government of India being kept under.

32. But in further elucidation of this matter a statement of the time actually occupied in these tours, during the past four years, is appended. From this it will be apparent that the following periods have been occupied in travelling:—

	Days.									
In 1864	-	-	-	-	-	-	-	-	-	35
„ 1865	-	-	-	-	-	-	-	-	-	18
„ 1866	-	-	-	-	-	-	-	-	-	36
„ 1867	-	-	-	-	-	-	-	-	-	24

average of the four years, 28 days. But although these periods did indeed comprise the travelling between Calcutta and Simla, they comprised a great deal more besides. For during these particular periods there were performed grave public duties specially pertaining to the Governor General, which could have been performed in no other way; and for the performance of which, if these opportunities had not been seized, other occasions must have been found at great trouble and expense. In the 35 days of 1864 was held at Lahore the State durbar for the princes and chiefs of the Punjab and its dependencies. In the 18 days of 1865 the Ganges Canal, the Delhi Railway, the head-quarters of the North-West Provinces at Allahabad, were inspected. In the 36 days of 1866, the State durbar was held at Agra for the princes and chiefs of Hindostan, of Rajpootana, and of Malwa. In the 24 days of 1867 the State durbar was held at Lucknow for the talookdars of Oude, an affair which will be in the immediate recollection of Her Majesty's Government. Hence it can be seen whether these journeys were not turned to good account in the public interest. And as to the possibility of any dislocation being caused hereby to the machinery of the Government of India, I cannot in the least understand this. In 1864 I was accompanied by one member of my Council, and in the other years by the majority of my honourable colleagues, and of the secretaries in the several departments. If any of my colleagues happened to be absent, it must have been that he was prevented by some cause or other from attending. On all of these several occasions the despatches in all departments of Government were regularly received and disposed of; and the current business was kept up nearly at full swing.

33. Then as to the geographical position of Simla; though it is in the Himalayas, nevertheless there are advantages in its situation which merit consideration. Looking to the political situation of the Bengal Presidency, which is, of course, by far the most important part of all India, to the North-west Provinces or Hindostan, to the Punjab and the Trans-Indus Frontier, to the great arterial communication between Calcutta and Peshawur, to the first-class military posts with which that line is dotted and studded, looking at all these things together, I should say that if the Government of India moved from Calcutta for any length of time, *Umballa* would be about the best place for it to move to. The eminently good situation of *Umballa* for a locality of central authority is too well known to require explanation. Now, where is *Umballa*? Why, it is in the plains near the foot of

the Himalayas, and opposite that particular part of the range where *Simla* is situated. Umballa will very soon be connected with Calcutta by railway: already nine-tenths of the intervening space are thus connected, and *Simla* is distant only 80 miles from Umballa, which distance is traversed by a good road with every advantage in respect of postal and telegraphic communication. Again, *Simla* is about intermediate between the Punjab, the North-West Provinces, and Oude, the very three provinces which demand the attention of the Government of India when absent from Calcutta. There is much then to be said in favour of the political position of *Simla*. Still I am far from saying that the Governor General and his Council should always go there. For the present time it seems enough to remark that if the Government of India moved at all from Calcutta, it had better resort to a good climate, in a politically central situation; and that not only was *Simla* the place best suited for this view, but was the *only* place under existing circumstances at all suitable. These conditions may, of course, change any day hereafter.

34. I do not lay so much stress as my honourable colleague seems to do, on *Simla* being so far from Bombay and Madras. The concern of the Government of India with those two Presidencies is much less than with the Bengal Presidency. I do not mean that the Governor General and his Council should never go to Madras and Bombay. But there is practically more difficulty in this than might at first sight be apparent. For there is inconvenience in the Government of India being at a place where it cannot well interfere. If it did interfere, it would be charged with weakening the local Governor and Council. If it did not interfere, and did nothing, it would be charged with sitting inactive in a corner of the empire. And in truth it would be at a distance from that part of the empire and from that frontier where critical affairs are most likely to arise, and with which rapid communication must be maintained if the Supreme Government is to be master of the circumstances.

35. I would add that the claims of Calcutta as the capital of India are strikingly put in para. 8 of Sir H. Durand's Minute. And I quite concur in the following passage:—"It is absolutely certain that to change the seat of Government to any of these old capitals (*Allahabad*, *Agra*, *Delhi*, or *Lahore*), or to any other site in the plains of India, would signally fail to remove the cause of migrations to the hills; it would intensify the desire to escape from the extreme heat to a cool climate."

36. The tenth or supplementary question in the Secretary of State's despatch relates to the Secretariat and to the Board of Revenue of Bengal. I have nothing to add here on to what is set forth in my Memorandum of January last, and my Minute of the 19th February.

37. I shall conclude by offering a few brief remarks on the position of the Governor General of India, a matter which may be somewhat affected, one way or another, by the eventual decision which Her Majesty's Government may form on the subjects which have now been presented for discussion. My own tenure of office is so near its close that I shall not individually be affected by whatever changes may or may not be made. I hope to hand over to my successor this great office with its authority and prestige unimpaired. I further hope that an undiminished influence may always pertain to those who come after me. I do not say that the authority of my office has as yet been, in any real degree, weakened. I trust that it is still endowed with potential vigour. But I have observed at times a tendency to subject it to processes which might induce weakness and decay. And though I fully acknowledge the loyal support afforded by so many of the authorities in India, yet I cannot overlook the fact that even in some official quarters there is growing up a desire to be virtually independent of the Queen's representative in this country. Now, I believe that there is as strong a necessity as there ever was, as strong a necessity as there could possibly be, for one central absolute authority in India, to which all other authorities in that country must entirely defer. Such authority can only be possessed by the Governor General in Council; and in extreme emergency, such authority must be understood to really centre in the Governor General himself as the ultimate arbiter of affairs. In no other way can the financial means of the empire be husbanded and economised in time of peace. In no other way can the power of the empire be effectively wielded in time of danger. And is not danger to India still possible? We may never have 1857 over again. But looking to the status of the great powers of the world, to the growth of their maritime, military, commercial, and political influence in the East, to public liabilities accruing more and more in India, and sustained by the credit of the British Government, I can foresee possible combinations of troubles, widely different from those of 1857, but equally formidable. If in such crises the Governor General in Council is really powerful he may steer the State through the breakers. But if he were only the head of a loose confederation of local governments that might yield him only a qualified obedience; or if there had been a decentralisation of finance, so that he was not really master of the national resources, then the dangers of such a time might be so aggravated, that those concerned in India might tremble for the result, and that the immense interest connected with our Eastern Empire might be jeopardised.

(signed) *John Lawrence.*

23 March 1868.

APPENDIX (A.) referred to in Para. 18 of the MINUTE.

ACTS passed by the BENGAL LEGISLATIVE COUNCIL, during the Years from 1864 to 1867, inclusive.

1864. No. 1.—Relating to Hackney Carriages.
 2.—Regulation of Gaols.
 3.—Appointment of Municipal Commissioners.
 4.—Amends Act XXI. of 1836, respecting alteration of Limits of existing Zillahs.
 5.—Collection of Tolls on Canals.
 6.—Periodical Inspection of Steam Boilers.
 7.—Amends and consolidates Laws respecting Manufacture, &c. of Salt.
-
1865. No. 1.—Renders valid certain Acts of Judge, 24—Pergunnahs.
 2.—Repeals Act IX. of 1862, respecting Appointment of Registers of Deeds.
 3.—Prevention of Injury from Fire in Ports, and safe keeping of Inflammable Oils.
 4.—Prohibiting practice of Inoculation.
 5.—Amends Act II. of 1864, regulating Gaols.
 6.—Regulating Contracts for Labour.
 7.—Regulating Public Slaughter-houses.
 8.—Amends Law for Sale of Under-tenures for Recovery of Arrears of Rent.
 9.—Amends Act VI. of 1863, vesting the Property of the Town of Calcutta and the Management of its Municipal Affairs in a Corporation.
-
1866. No. 1.—Amends certain Provisions of Regulation VI. of 1819, respecting Public Ferries.
 2.—Regulates the Police of Calcutta.
 3.—Attendance and Examination of Witnesses before the Bengal Legislative Council.
 4.—Amends and consolidates Act XIII. of 1856, for regulating the Police of Calcutta, Madras, and Bombay.
 5.—Makes better provision for Regulation of Hackney Carriages.
 6.—Amends Act VI. of 1863, vesting the Property of Town of Calcutta and Management of its Municipal Affairs in a Corporation.
 7.—Provides for the acquisition of Land for Embankments.
 8.—Amends the Calcutta Police Act of 1866.
 9.—Punishment for resisting Lawful Apprehension or Escaping from Custody.
 10.—Improvement of the Port of Calcutta.
-
1867. No. 1.—Explains and amends Act VI. of 1863, respecting Management of the Municipality of Calcutta by a Corporation.
 2.—Relating to Gambling, &c.
 3.—Amends Law relating to Ships lying in Ports.
 4.—Explains and Amends Act VI. of 1862, relating to Recovery of Rent.
 5.—Shortening of Language used in Acts.
 6.—For the better Regulation of Police in Towns and Municipalities.
 7.—Amends Act III. of 1864, respecting Appointment of Municipal Commissioners.
 8.—Rates for Water supplied by the East India Irrigation and Canal Company.
 9.—Amends Act VI. of 1863 and Act VI. of 1866, for the better Regulation of Police in Towns and Municipalities.
 10.—Settlement of Land Revenue in Cuttack, Pooree, and Balasore.
 11.—Provides for the Expense of the Police of Calcutta and Establishment of a Pauper Hospital.
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APPENDIX (B.) Referred to in Para. 32 of the MINUTE.

	Left Calcutta	Arrival at	Departure from	REMARKS.
1864:				
The Viceroy - - - - - Accompanied by The Honourable Mr. Maine. Colonel H. W. Norman, C. B.	15 April - - -	Bhaugulpore - 16 April Allahabad - 17 " Cawnpore - 18 " Ghazeeabad - 20 " Simla - 29 "	Bhaugulpore - 16 Eve. Allahabad - 18 " Cawnpore - 19 " Ghazeeabad - 20 "	Visited Meerut and Roorkee, inspected Shaharunpore Stud, 25th April 1864.
The Viceroy - - - - - Accompanied by The Honourable Mr. Maine. Colonel H. M. Durand. C. U. Aitchison Esq.	Left Simla, 10 October.	- - - - - Kussowlie - 10 Oct. Kalka - 12 " Umballa - 12 " Jullundur - 14 " Umritsur - 15 " Lahore - 15 " Loodiana - 21 " Umballa - 22 " Delhi - 23 " Cawnpore - 24 " Benares - 26 " Calcutta - 31 "	- - - - - Kussowlie - 12 Oct. Kalka - 12 " Umballa - 13 " Jullundur - 14 " Umritsur - 15 " Lahore - 20 " Loodiana - 21 " Umballa - 22 " Delhi - 24 " Cawnpore - 25 " Benares - 30 "	14 Days. 4 p.m. 10 p.m. 5 p.m. Held Durbar 18th October. 9 p.m. 2 p.m. 7 p.m. Held Durbar 29th October, and investiture of the Star of India.
1865:				
The Viceroy - - - - - Accompanied by The Right Honourable Mr. Massey. Mr. Onslow. Mr. Bayley. Mr. Lushington, and Mr. Colvin.	17 April - - -	Bhaugulpore - 18 April Allahabad - 19 " Delhi - 20 " Kurnaul. Umballa. Simla - 25 April	Bhaugulpore - 18 April Allahabad - 19 " Delhi - 20 "	35 Days travelling in 1864.
The Viceroy - - - - - Accompanied by Mr. Colvin, and The Honourable Mr. Maine.	Left Simla, 25 October.	Kalka - 26 Oct. Umballa - 26 " Kurnaul - 27 " Delhi - 29 " Allahabad - 31 " Buxar - 1 Nov. Bhaugulpore - 3 " Calcutta - 4 "	Kalka - 26 Oct. Umballa - 27 " Kurnaul - 28 " Delhi - 30 " Allahabad - 1 Nov. Buxar - 2 " Bhaugulpore - 3 " - - - - -	Inspected Buxar and Kurruntad- hee Studs. 10 Days.
1866:				
The Viceroy - - - - - Accompanied by Mr. J. W. S. Wyllie. Mr. E. C. Bayley.	Left Calcutta, 2 April.	Monghyr - 3 April Passed Allahabad and Delhi 4 " Passed Kurnaul and Umballa - Simla - 9 "	Monghyr - 3 April Delhi - 5 " Kalka - 6 "	7 Days.
The Viceroy - - - - - Accompanied by The Right Honourable Mr. Massey. The Honourable Mr. Taylor. The Honourable Mr. Maine. The Honourable Sir D. Macleod. Mr. Bayley. Mr. Onslow. Mr. Lushington. Colonel Burne, Military Department. Major Graham, Military Department. Major Johnson, Military Department.	Left Simla, 1 November.	Kussowlie - 2 Nov. Umballa - 3 " Kurnaul - 5 " Delhi, 6, 7, 8, and - 9 " Agra - 10 " Futtehpoore Sick- ree and Gwalior, 23 to 27 Nov. - Benares - 29 Nov. Calcutta - 1 Dec.	Kussowlie - 3 Nov. Umballa - 5 " Kurnaul - 6 " Delhi - 10 " - - - - - Agra - 23 Nov. Benares - 30 "	Held private and public Durbar and the Investiture of the Star of India. Visited the Maharajah Scindia at Gwalior. 29 Days.
1867:				
The Viceroy - - - - - Accompanied by The Right Honourable Mr. Massey. The Honourable Mr. Maine. The Honourable Mr. Taylor. The Honourable Sir H. Durand. Mr. Howell. Mr. Wynne. Mr. Onslow. Mr. Bayley. Sir W. Muir.	24 April - - -	Mirzapore - 25 April Delhi - 26 " Umballa - 27 " Simla - 28 "	Mirzapore - 25 April Delhi - 26 " Umballah - 27 " - - - - -	5 Days on the road.
The Viceroy - - - - - Accompanied by The Right Honourable Mr. Massey. Sir W. Muir. Mr. Bayley. Colonel Norman. Colonel Dickens. Lieutenant Colonel Johnson, {as far as and Mr. J. W. S. Wyllie, } Cawn- pore. Captain Pemberton, from Cawnpore. Mr. Lushington. Mr. Onslow, and Colonel Dodgson.	Left Simla, 1 November.	Kalka - 2 Nov. Umballa - 2 " Kurnaul - 5 " Delhi - 6 and 7 " Lucknow - 9 " Calcutta - 19 "	Kalka - 2 Nov. Umballa - 4 " Kurnaul - 5 " Delhi - 8 " Lucknow - 18 "	Held Durbar. 19 Days. 24 Days travelling in 1867.

NOTES on Mr. Grey's Minute.

I. *Difference between Imperial and Local Legislatures.*—What is said by the Lieutenant Governor as to the different constituents necessary for Imperial and Local Legislative bodies is, no doubt, true.

The questions which come before the local Governments are, doubtless, of narrower application, are more dependent on local circumstances, and are, therefore, more fitted for treatment by a body of a popular character (so far as such a body can be collected in India), than graver and more general measures.

But it does not follow that the Imperial Government could not have continued to deal with such questions as well as its own proper business, as it did before 1861.

No doubt if a mass of Little Peddlington legislation is absolutely necessary, the Government of India cannot undertake it.

But it by no means follows that the facility of legislating has not conduced to a superfluity of it, and it may be doubtful whether all or a great portion of the laws passed were really necessary, and whether the rest might not have been perfectly well dealt with by the Imperial Legislature.*

After all, in six years of legislation, Bengal has passed 52, Madras 40, and Bombay 56 laws.† Some of these certainly were not imperatively needed. The very first Act on the Bengal statute book has, it is understood, wholly failed, not one prosecution under it having ever succeeded, and the object for which it was passed being as far from attainment as ever.

But admitting even the entire body of law to be valuable, the local councils have relieved the Government of India‡ of at most 148 Acts in six years, or a total of about 24½ per annum.

Per contra, however, the duty has been thrown upon the Governor General of criticising and rejecting many projects of the local councils which have never reached a place in the statute book, and this task has given very extensive and most serious trouble, and has very often involved much controversial correspondence.

This much in reference to the general policy of appointing local legislatures in 1861.

The principle on which that policy was founded was, no doubt, sound in the abstract. The questions to be solved are, had the time come for its adoption in 1861, or is the time now come for its extension? The practical result seems to answer both questions clearly in the negative.

It is probable that a good deal of unnecessary and imperfect legislation has been inflicted on the country, and that the real relief to the Government of India has been next to nothing.

It will possibly not be wise to reverse the legislation of 1861.§ It will not probably also be wise to extend its operations further than they have been carried already.

Even in continuing the present system of local legislation, some patent defects at least should be remedied. The first of these is the rigorous formula which confines the sanction or disallowance of a Bill to the Governor General personally. It was at first attempted to make the practice exactly correspond to the wording of the law, but the attempt has long since broken down. Up to the time when the late Lord Elgin left Calcutta in February 1863, the letter of the law had been very strictly adhered to, the secretary obtaining privately such information and counsel as was practicable from the members of Council. But it was soon found that this course was insufficient, and that serious mischief arose for want of more full consideration of these draft enactments.

By the practice now, although the Governor General nominally vetoes or assents to the Bill, yet every part of it is as fully considered as any other correspondence by the Governor General in Council. It is a question, therefore, if the wording of the law should not be so altered as at least distinctly to legalise the actual practice.

Another point is the power to *amend* Bills. It has repeatedly happened that Bills have come up with technical defects, and in some cases these have been simply ludicrous, in others very awkward and embarrassing.

The local councils, for example, have taken powers which legally they could not assume, or which it was desirable that they should not assume. In such cases the defect of power to amend the Bill has either necessitated the entire negation of the Bill, or the Governor

Mr. Grey considers there is an advantage in assessing local taxation by means of a local and popular council. This is by no means a certain proposition. It is more than probable that a local council would refuse the most necessary taxation. For example, the local Bengal Council, with a larger infusion of Zemindars, would infallibly offer a strenuous and not improbably successful opposition to a local rate on the land; for roads or education, and whatever the result, the discussion could not fail to evoke angry and bitter discussions and ill-feeling, which probably would result to a far less degree if the imposition took place through the Imperial Council, and particularly if it formed part of a general scheme common to all India.

* More especially if the Governor General in Council had possessed a summary power for dealing by legislation with trifling matters, a power which it might be provided should only in the Regulation Provinces be exercised at the request of the local government

† I am not quite sure of the exact number of Bombay laws; there may be one or two more, as there is yet no return for the latter part of 1867.

‡ That is, relieved the Legislative Council of the Government of India. The labour entailed on the Executive Council of the Governor General could hardly have been more if it had passed the Bills itself.

§ In one way, no doubt, especially in Calcutta, good has been gained by the system of local councils. Men who might have seriously embarrassed governments by supporting independent public demonstrations, have now had opportunities of giving official expression to their sentiments in the local councils, and, in practice, are hardly listened to.

Governor General has been forced to the clumsy expedient of executively desiring the local Government not to use the powers which they have taken under the Bill. It would be convenient to have some power of curing errors of this nature summarily, without compelling the local council to go through the labour of passing the Bill over again to remedy, perhaps, but one slight defect.

As regards the non-regulation Provinces, or such as may be declared non-regulation Provinces, the old power of legislating autocratically might well be restored to the Governor General in Council. The laws made in such cases might, as Mr. Grey suggests, be formally distinguished by a special name; they might, for example, be termed "Ordinances." Such a power is often needed for political or for special local purposes, and not a few of the improvements in modern Indian legislation and administration originated in experiments first made in non-regulation Provinces, where, under the present stringent system of law, such experiments are now next to impossible.

II. *As regards the erection of Bengal into a Governorship.*—As the Lieutenant Governor's argument seems to read, it may be, perhaps, briefly stated as follows: the enormous labour of the Bengal Government is too heavy, and its responsibility too great for a single man.

Therefore, there should be an Executive Council in Bengal.

The relations between a Lieutenant Governor and the Government of India are more onerous to the latter than the relations between a Governor and the Government of India. The Government of India is already overburdened, *ergo*, it would and should be relieved by constituting Bengal a Governorship.

In the first of the above set of propositions there is, doubtless, much force. Compared with Madras and Bombay, there can be no doubt that labour of the administration in Bengal and the difficulties which beset it are infinitely greater, and if the responsibilities which rest on the Governors in Bombay and Madras require the aid of a council to enable the Governors to bear them, *à fortiori*, a council is necessary in Bengal.

For a long time the Bengal Government was practically identified with that of India, and still rested on its moral support even long afterwards. Indeed, until the indigo riots, it retained much of the old prestige, and derived no little strength from the immediate vicinity of the Council of the Governor General, familiar in practice with the difficulties of Bengal Administration, and ready on the spot to give support or counsel.

But the Indigo riots introduced a new phase into the question; for the first time the Government of India was not in accord with that of Bengal, and the latter felt its weakness immediately.

The Indigo riots afford, too, a specimen of one peculiar difficulty, which presses hard on the local Government of Bengal. The large planting interest, and the equally large commercial interest are connected intimately with the bar, which has, and always will attract, the ablest barristers in India. They form collectively a powerful body of intelligent and earnest men enabled, by connection with the press, both here and in England, to force on the Government the views which they think best for their own interests. They represent whatever there is of public opinion, but it is a very one-sided opinion, liable to be carried away by temporary and class feelings, and to urge the Government to very mischievous courses.

It is not easy for a man, however mentally strong, supported by no other form of public opinion, to bear up against the pressure thus put, and usually ably and forcibly put, upon him.

No other effective form of public opinion, however, is yet possible, and probably the advice of an impartial Council would be the best substitute. There should be, therefore an Executive Council for Bengal.

But it does not seem to me to follow that the Lieutenant Governor of Bengal should, on this account, be elevated into a Governor.

Mr. Grey, as has been said, appears to assume that the relations between the Government of India and a Lieutenant Governorship necessarily involve more trouble and responsibility than those between the Government of India and a Governor in Council.

But as a matter of fact this is hardly the case.

It is true that matters reported to the Secretary of State are reported direct by a Governor in Council, and through the Government of India by a Lieutenant Governor, but even the Governor in Council is bound to send copies of his Despatches to the Government of India, and the form adopted in reporting matters of routine in the case of Lieutenant Governors really saves the Government of India all trouble; and it is only in very important cases, which are comparatively rare, that any saving of time is really effected by directly addressing the Secretary of State. Moreover, if the Government of India does not agree with a Governor in Council, the necessity of a counter despatch is involved.

As regards the actual administration, the Government of India watches with pretty equal closeness all administrations. All orders are regularly reported to it, and usually with equal punctuality. The degree of fulness with which they are reported differs with the practice which has grown up (though it might with advantage be reduced to a uniform plan, as has been already more than once recommended) in various provinces.

As a matter of fact, Madras reports in greater fulness than any Government; next comes

comes Bengal; next again the North Western Provinces; then Bombay, and lastly, the Punjab. The North Western Provinces form probably best hits off the proper medium.

It is true also that a Governor in Council possesses a somewhat larger limit of authority as to pecuniary expenditure, without previous sanction of the Government of India than a Lieutenant Governor does, but both are equally subject to Budget limits, nor does the law recognize any difference in the case.

The law indeed, so far as I know, recognizes only one difference between a Lieutenant Governor and a Governor, viz., that by the 5 & 6 Will. 4, c. 52, s. 2, and the 17 & 18 Vict. c. 77, s. 4, the Governor General in Council may, from time to time, "declare and limit the extent of the territories so placed under the Lieutenant Governor, and the extent of the authority to be exercised by such Lieutenant Governor as to the said Governor General in Council may seem fit."

In practice, however, this power has been exercised to a scarcely sensible extent. In Bengal a very few appointments (chiefly Marine) have been reserved to the Governor General, and in Bengal, the Punjab and North Western Provinces, the concurrence of the Governor General in Council is required to nominations to certain of the highest appointments. Concurrence has, however, been withheld, so far as my experience extends, but twice by the Government of India to nominations by any Lieutenant Governor. Petitions, too, appealing from Governors in Council go, except in financial cases, straight to the Secretary of State. The Governor General receives petitions against the orders of Lieutenant Governors, but it is very unusual for action to be taken by the Government of India upon these last, as may be seen by the schedule attached to this Note.

Moreover, the legal right of interference with the *acts* of the Lieutenant Governors cannot possibly be larger than that conferred over the acts of the Governors in Council by the 3 & 4 Will 4, c. 85, s. 65, which is still in force, and which gives the Governor General in Council "*full power and authority* to superintend the Governors and Governors in Council of Fort William in Bengal, Fort St. George, Bombay, and Agra, in all points relating to the Civil and Military administration of the said Presidencies respectively, and the said Governors and Governors in Council shall (it is provided) be bound to obey such orders and instructions of the Governor General in Council in all cases whatsoever."

Section 39 seems clearly to indicate the object for which this power and authority was given, for it enacts that "the superintendence, direction and control of the whole civil and military government of all the said territories and revenues in India shall be and is hereby vested in a Governor General and Counsellors, to be styled the Governor General of India in Council."

Nor was it intended that this superintendence should be a mere empty form; in their Despatch, No. 44 of 1834, dated 3rd January, paragraph 78, the Court of Directors, in treating of the nature of the then newly passed Charter Act, said to the Governor General in Council, "The powers here conveyed, when the words are interpreted in all their latitude, include the whole powers of Government. And it is of infinite importance that you should well consider and understand the extent of the responsibility thus imposed upon you."

"The whole civil and military government of India is in your hands, and *for what is good or evil in the administration of it, the honour or dishonour will redound upon you.*"

And as by the 13 Geo. 3, c. 63, s. 9, and by subsequent legislation, the Governors in Council are bound to submit intelligence and advice as to all matters relating to Government, and to submit copies of all orders and account, thus securing to the Government of India the opportunity of complete control over the Governors in Council. No more complete supremacy is possible over the acts of Lieutenant Governors; the legal difference in the position of the two being merely that the Government of India has the power of limiting from time to time the sphere of action of the latter.

But it has been shown above that, in practice, this limitation has been used but to the most trifling extent.

So far as the relations of the two Governments are concerned, there would be no palpable relief to the Government of India if Bengal were made a Governorship.

Nor is the extent of correspondence between the two Governments really very overwhelming even now. At the request of the Governor General (by whose orders these notes are prepared,) a return of the letters sent from the Government of Bengal to that of India, in all except the Department of Public Works, in 1867 has been procured. They were as follows:—

Home Department.	Financial Department.	Military Department, including Marine.	Foreign Department.
1,008	333	233	259

or a total of 1,833; certainly not more than an equal number of letters issued to Bengal from the Government of India; and it may, therefore, be said that the total number of letters which passed between Bengal and the Government of India in 1867 was not above

3,700 out of a total correspondence given by Bengal as 43,081, or say, about nine per cent.

Judging from the Home Office return, too, the correspondence with Bengal constituted about six per cent of the total correspondence of the Government of India.

The extent, therefore, of the Bengal correspondence is not so great that its elevation to a Government could possibly make much difference one way or another, so far as the work of the Government of India would be affected by it.

But it may, perhaps, be gathered from the Lieutenant Governor's Minute that he considers that the interference of the Government of India is more extensively and more harshly exercised over Lieutenant Governorships than over other local Governments, and he adduces three instances within his own experience as apparently carrying with them "unavoidably implied want of trust." This point is, therefore, reduced very much to a question of fact. Examining the facts, they may be stated as follows as regards the first case :

For several successive years a terribly fatal, and probably contagious, epidemic fever had devastated, especially during the rainy and cold months, the south-west districts of Bengal. Its origin had been very generally ascribed to the want of proper sanitary precautions in certain villages, and to the blocking up of the natural drainage of the country by several concurrent causes. This scourge, and the best means of arresting or of preventing it, had formed the subject of much previous correspondence.

In August 1867 the Government of India noticed in a native paper, the "Som Prokash," a statement of which extracts are as follows :—"In the villages of Mugilpore, Joynugger, &c., &c., in the 24-Pergunnahs (near the parts before affected by the epidemic), a nasty fever is raging which makes those it attacks delirious and kills them * * * many lives are lost ; it is hard to count the numbers that are sick and that are being taken ill. There are three native doctors and no other proper medical aid within eight or ten miles. These doctors can hardly find time to attend to these patients * * * although they labour continually, foregoing ease, food, and sleep * * *

"The reason why such sickness prevails is evident. The jungle in and about the aforesaid villages increases in the rains, and any excess of moisture increases the decomposition of the vegetable matter."

The editor also attributes the sickness to "the lodgment" of salt water, which has "broken through the embankments in some places amongst the rank vegetation."

Eventually these representations proved to be exaggerated, but in the face of a recent widespread and fatal epidemic of precisely the same nature, attributed to the same causes, and prevailing in the same neighbourhood, it can scarcely be said that the matter was one of the "merest local interest," and which "had no general bearing," nor can it be said the Government of India had no cause to be alarmed at the intelligence, and no reason to inquire as to its accuracy.

The other two cases may be more briefly disposed of. In the first case the appointment of 1,500 rupees was not a simple appointment created in Bengal, but it was one of a series of appointments created in order to carry out a general system of sanitary action, not merely in Bengal alone, but in all the provinces of India (save only Madras, Bombay, and Mysore,) and the Governor General was naturally anxious to see that the selection of officers to inaugurate this new and important system was made with more than ordinary care and judgment. All Lieutenant Governors, therefore, were asked to make the appointment only with the concurrence of the Governor General ; and as a matter of fact, in one instance, the officer appointed by the local Government was set aside by the Governor General, because of too low a standing to carry weight with the senior medical officers with whom his duties were likely to bring him in contact, possibly under circumstances of some difficulty.

In the third case, in the great Indigo district of Chumparun, the position of the ryots and planters was actually passing through the phase of change which has created so much political ill-will, antagonism and even violence in other districts of Bengal ; the ryots literally struck work and refused "*en masse*" to perform their contracts.

To provide for the speedy disposal of the suits brought by the planters to enforce their contracts, the Lieutenant Governor proposed the institution of a special small cause court in the district. In the excited state of the country, extreme caution was obviously necessary, and the action of the Governor General in Council complained of by the Lieutenant Governor was merely to require that, in order to secure greater care and deliberation, the court should consist of two judges (instead of one judge as the Lieutenant Governor had proposed), under a provision of the Small Cause Court Act, *which had been specially introduced with a view to the constitution of small cause courts in Indigo districts.*

Thus, in three several cases cited by Mr. Grey, very good and rational reasons are, therefore, to be given for the action of the Government of India.

But it may be further said that the actual number of the cases in which the Government of India (in the Home department for example) has during the past years interfered *mero motu* with the Government of Bengal has been positively insignificant. The total number of cases during 1867 was 49, as far as can be ascertained ; but some papers have been transferred with the telegraph and marine records to the Foreign and Military Departments, and there is not sufficient time to get them back. Of these 49 seven were calls for reports on matters brought to notice by the local press ; 10 were called for on Despatches from the Secretary of State ; 29 were called for at the request of other departments, other local

local Governments, public bodies, &c. &c.; two were called for on memorials or petitions from private parties; *one* originated from the Home Office itself. A schedule of these cases is put up so far as is possible.

The total amount indeed of active interference with the Government of Bengal, which has originated with the Government of India in the Home Department (in which department 5-9ths of the correspondence with the Government of Bengal, exclusive of that in the Public Works Department, is carried on) has been so absolutely insignificant, that it is not really worth while to compare it with that exercised over the Governments of Madras and Bombay. Considering the larger and richer territories which comprise Bengal, no trifling increased interference which might be discovered in the case of Bengal, would tell with any force on the question of the relative position of Lieutenant Governor and Governor.

It seems clear, from what is said above, that the Lieutenant Governor is hardly right in believing that any *practical* difference exists in their relations with the Government of India between Governors and Lieutenant Governors, or that he has experienced any different treatment as Lieutenant Governor from that which he might expect as Governor, or that he has any cause of complaint on that score. Neither, therefore, would the Government of Bengal be really benefited, nor the Government of India be relieved, by the elevation of Bengal into a Governorship.

On the other hand, the quasi-independence which seems implied in the *name* of Governor, and the powers of correspondence direct with the Secretary of State, have not unfrequently engendered a considerable disregard of the supreme authority of the Government of India. Were it, indeed, possible, it would probably improve the working of the administration of the country, if there were no Governors, but Lieutenant Governors only, in India, whose legal position should, in that case, be the same which the law now assigns to Lieutenant Governors.

III.—*As regards the assumption by the Government of India of the Management of Assam.*—On the whole, there is much force in the arguments of the Lieutenant Governor. Assam is indeed a territory which requires special care and a strong rule at present, but if this can be given it is as well by a separate organization under the Government of Bengal, it would be better, perhaps (even for Geographical reasons, as Mr. Grey has shown) to put it under Bengal; at least the experiment might be tried.

No doubt, the assumption of the actual administration of certain tracts of country by the Government of India is apart from the chief object of its constitution, and adds seriously to the weight of its difficulties and responsibilities; therefore, the Government of India should probably look forward to the time when its direct administration shall be confined to distant and wild provinces, or to foreign territories, temporarily administered; though this result, when attained, will probably necessitate a re-arrangement of Local Governments.

Admitting, however, that the Government of India should be relieved as much as possible of the direct executive administration of any part of its territories, it is all the more necessary that its functions as the supreme power for a strong and real superintendence, control and direction should be fully acknowledged, or even supplemented, and that they should be jealously maintained. It possesses, as has been shown, the means of superintending and closely watching the proceedings of Governments through the periodical submission of the proceedings of all. The power, too, of the Government of India to initiate measures of general application, to indicate and to maintain the observance of principles of general policy, and especially to correct the measures of Local Governments, might be, if not more clearly laid down, doubtless more practically recognised.

It need hardly be said that this general function of "superintendence, direction and control" is one of much delicacy and difficulty, but it is clearly that which the law has assigned to the Government of India. It is a function, too, which must be discharged by some authority; experience has, indeed, amply shown this to be requisite. If the administration of the country is to be carried out by local Governments in harmony and uniformity; if the power and the finances of the whole Empire are to be capable of being directed, when necessary, on any one imperial object; if, in short, the English Empire in India is to be stable, vigorous, and powerful, a central controlling authority is indispensable.

But such a central Government should not be a mere splendid pageant, or a purely advising authority. It is, above all things, necessary to insist upon the absolute supremacy of its authority, and to secure for its orders prompt and ready obedience.

It cannot be affirmed that the present state of relations between the local Governments and the Government of India always approximates to this ideal. Occasional impatience will, of course, occur—for zealous Administrators are, above all other men, unwilling to submit to check or control. But at present there can be no doubt that mischief is done by feelings of local jealousy to an extent hardly credible to those who have not had an opportunity of watching them, and that these feelings depend, to a great extent, on accidental circumstances and on old traditions. The surest mode of effacing this jealousy would probably be by giving to the Government of India a more generally locomotive character than it now possesses; this would be desirable, perhaps, for many other reasons, and it might be done probably without in any degree diminishing the efficiency of the Government of India, or increasing seriously its expenses. If the plan be carried out, it would, at all events, make the officers of various provinces known to each other and to

the Supreme Government; it would gradually give to the Government of India more and more of a cosmopolitan character, and so would, I honestly believe, wear away the jealousy with which it is too frequently regarded as being identified entirely with the service in Bengal, and till recently in Lower Bengal only—and this result would certainly prove of the highest benefit to the harmonious working of all administrations, local and supreme.

E. C. Bayley.

STATEMENT showing the Number of times *Bengal* was called upon for Reports on Newspaper Statements during 1867.

No. of Cases.	No. and Date of Letters.	Subject.	Remarks.
1	1126. 2nd February 1867.	Requesting the Lieutenant Governor to report the real fact of the case noticed in an article in the "Bengalee," headed, "Mr. Galliffe and Elliott Khal."	This was a case of alleged oppression by a Government officer.
2	145. 10th May 1867	Calling for the Lieutenant Governor's opinion in regard to the case in which Mr. Monro, the Magistrate of Jessore, was severely censured by the Officiating Sessions Judge of the District for having sentenced a person of respectability to receive the maximum amount of lashes for petty theft, and on insufficient evidence.	This was a very bad case; and when the report was received, it was made the basis of certain general instructions to all local Governments and Administrations.
3	2050. 6th July 1867	Inquiring whether there is any truth in the account given in the Report on Native Papers, for the week ending 15th June 1867, of an alleged murder near Mirzapore.	This was for the purpose of exposing the falsehood of an atrocious report which had gained currency, not only in the "Bengalee," but in the Up-country Native Papers.
4	2271. 15th July 1867	Calling the attention of the Lieutenant Governor to an article in the "Bengalee" newspaper on the evidence given before the Coroner's Jury in the course of the recent inquiry into the death of Nothoor Booyah, a prisoner in the Presidency Gaol, whose death, it is said, was the result of neglect and ill-usage, and calling for a report on the subject.	The Lieutenant Governor had already ordered a Commission of Inquiry. The case showed faults of discipline, though not as grave as the proceedings before the Coroner gave reason to apprehend.
5	4464. 12th July 1867	Calling for a report relative to an outbreak of an epidemic fever in the 24-Pergunnahs, as noticed in the Report on Native Papers for the week ending 17th August 1867.	This has been separately noticed.
6	4877. 25th July 1867	Calling for a full report in reference to items 20* and 37†, in the Report on Native Papers for the week ending the 31st August 1867.	These stories made grave charges, or insinuated them, against Government officers. Inquiry showed them to be utterly false.
7	5024. 30th September 1867.	Calling for a report regarding the appointment of the Rev. Lall Behary Dey as head master of the Berhampore College, which was noticed in the "Hindoo Patriot" of the 16th October 1867.	The appointment was very open open to question; in fact, it was eventually approved both by the Lieutenant Governor and the Government of India, much on the principle of <i>factum valet</i> .

* Mr. Kemble, Joint Magistrate of Sylhet, alleged to have broken the leg of a Mahomedan.

† Inexplicable death of a certain man who came as a witness to a Criminal Court of Serajgunge.

STATEMENT showing the Number of times *Bengal* was called upon for Reports on Despatches from the Secretary of State, during 1867.

No. of Cases.	No. and Date of Letters.	Subject.	Remarks.
1	411. 15th January 1867.	Requesting, with reference to Secretary of State's Despatch, No. 18, dated 30th November 1866, an expression of opinion as to the best mode of giving effect to the intention of the Trustees of the Gilchrist Educational Trust to establish two annual Scholarships.	
2	1244. Dated 6th February 1867.	Enquiring whether the instructions referred to in paragraph 2 of a Despatch from the Secretary of State, No. 117, dated 24th December 1866, have been received by the several emigration agents, and whether the new rule as to the number of superficial feet to be allowed to each emigrant on board ships has been brought into operation.	
3	1246. Dated 6th February 1867.	Forwarding copy of Despatch from Secretary of State, No. 104, dated 3rd December 1866, relating to the selection, recruitment, and transport of labourers in Bengal to Assam and Cachar, and requesting that the points therein noticed may be embraced in the inquiry which, it is understood is already being made under the Lieutenant Governor's directions.	
4	1247. Dated 6th February 1867.	Forwarding copy of a Despatch from the Secretary of State, No. 103, dated 3rd December 1866, and calling for a full report on the points therein referred to, relating to cases of flogging immigrant labourers which occurred on the gardens of Assam Tea Company at Durrung.	
5	1745. Dated 28th December 1867.	Forwarding copy of a Despatch from the Secretary of State, No. 156, dated 15th November 1867, on the subject of syphilitic diseases among sailors.	
6	5273. Dated 9th October 1867.	Forwarding copy of a Despatch from the Secretary of State, No. 110, dated 23rd August 1867, calling for a report therein called for regarding the heavy mortality among coolies in Sylhet.	
7	860. Dated 3rd December 1867.	Forwarding copy of a Despatch from the Secretary of State, No. 21, dated 7th October 1867, with reference to Special Narrative, No. 2, dated 16th May 1867, regarding the case of the Rev. E. J. Tandy.	
8	4693. Dated 20th September 1867.	Calling for a report as to the best mode of undertaking a general census of the population of India in 1871.	

STATEMENT showing the Number of times *Bengal* was called upon for Reports on Questions mooted by other Departments, Local Governments, Public Bodies, Officers, &c., during 1867.

No. of Cases.	No. and Date of Letters.	Subject.	Remarks.
1	764. 24th January 1867.	Inquiring whether the Lieutenant Governor has come to any decision regarding the abolition of the Small Cause Courts at Chittagong and Arrah, as recommended by the High Court.	
2	1457. 12th February 1867.	Requesting Bengal to report how far the Report of the Commission on the subordinate Medical Department meets the case of Native Doctors.	
3	1988. 26th February 1867.	Calling for a report as to the number of Canoon-goes and Putwarees now in Orissa.	
4	2550. 13th March 1867.	Requesting an expression of opinion on the two proposals (1) to enlarge jurisdiction of Moon-siffs; and (2) to invest Principal Sudder Ameens with the powers of Judges of Small Cause Courts.	
5	2844. 20th March 1867.	Forwarding for opinion the new Indian Shipping Bill.	
6	3261. 30th March 1867.	Calling attention to Act 26 of 1867, to amend the law relating to Stamp Duties, and requesting a report on its working.	
7	420. 18th May 1867	Forwarding copy of a letter from the Bengal Chamber of Commerce for opinion on the subject of the exemption, under section 22 of Act VIII. of 1859, of certain native gentlemen from personal attendance in Civil Courts.	
8	1192. 10th June 1867	Forwarding copy of a Resolution passed in the Financial Department, on the subject of increased Educational Charges in the Bombay Presidency, and requesting information on paragraphs 11 and 12, regarding the strength of Teachers and maximum number of Boys in each class in High Schools.	
9	1191. 10th June 1867	Calling for a report of any action that may have been taken by the Lieutenant Governor for preventing Dacoitee Approvers from engaging in the commission of crimes, as per case No. 75 of 1866, (Eliahee Bux, Appellant). (See Sutherland's Weekly Reporter, vol. v., No. 22, dated June 1866.)	
10	2024. 5th July 1867	Calling for opinion on the subject of the application by the Asiatic Society for a refund from Government of 3,040-8 rupees, being a portion of the sum advanced to Dr. Anderson for the decoration and repair of the Museum.	
11	2558. 20th July 1867	Inquiring whether any tenures similar to the Ghatwallee Lands of Chota Nagpore exist in any other parts of the Bengal Presidency.	
12	2704. Dated 24th July 1867.	Calling for certain information regarding the prevalence of Syphilitic Diseases among Sailors.	
13	3095. 6th August 1867.	Calling for a report regarding an outbreak of Cholera, and great mortality among the Coolies on the Tea Gardens at Missionpore and Goraghat, as appears from the Proceedings of the Bengal Government for April 1867.	
14	3288. 12th August 1867.	Forwarding copy of Extract from Military Department, No. 249, dated 17th July 1867, on the subject of the Reports of Cholera Commissioners at Constantinople.	

No. of Cases.	No. and Date of Letters.	Subject.	Remarks.
15	4074. 30th August 1867.	Calling for opinion regarding the expediency of opening up to Natives of ability and character a more important, dignified, and lucrative sphere of employment in the administration of British India.	
16	4787. 24th September 1867.	Calling for a full report on the subject of the injury supposed to be done to the Coast Fisheries by the present system of Irrigation Works in India.	
17	5059. 2nd October 1867.	Forwarding, for an expression of opinion, copy of a Resolution on the subject of the High Rate of Mortality among the inmates of the Dullunda Lunatic Asylum.	
18	5631. 18th October 1867.	Forwarding a communication from the Financial Department, requesting information as to what arrangements prevail in the Normal Schools in Bengal and elsewhere, for affording medical aid to the Students in those Institutions.	
19	734. 29th November 1867.	Calling for the Lieutenant Governor's opinion relating to certain irregular Ceremonies which have grown up among the Native Christians in Lower Bengal, in supersession of legal forms of Marriage.	
20	239. 14th May 1867	Forwarding a copy of the Report of the Famine Commissioners, and inviting the attention of the Lieutenant Governor to the Second Part, viz., that which deals with the measures necessary to the Restoration of Prosperity in the tract to which their inquiries have extended.	

STATEMENT showing the Number of times *Bengal* was called upon for Reports on Memorials from private Parties and dismissed Officers, during 1867.

No. of Cases.	No. and Date of Letters.	Subject.	Remarks.
1	2952. 22nd March 1867.	Forwarding for report a memorial from the proprietors of the Tea Estates in Eastern Bengal.	
2	5765. 24th October 1867.	Forwarding for report Memorial from one Sro-bun Dass, complaining of the stoppage, in the year 1845, of the allowance set apart by the late Ranee Bowanee, of Rajshahye, for the maintenance of a religious Akara.	

STATEMENT showing the Number of times *Bengal* was called upon for Reports originating from the Home Department, during 1867.

No. of Cases.	No. and Date of Letters.	Subject.	Remarks.
1	899. 29th January 1867.	Inquiries whether the Lieutenant Governor has laid down any rule regulating the period during which the Commissioners of the Divisions that comprise the Hill Stations of Darjeeling, Cherra Poonjee, and Shillong, are at liberty to reside annually at such Stations.	

Enclosure 11, in No. 11.

MINUTE by the Honourable *J. Strachey*, dated 26th March 1868.

THE discussion of the questions referred to in the Secretary of State's Despatch of the 16th January had been almost completed when I became a member of this Council, but those questions are so important, that I wish to state the opinions which I hold regarding them.

The first question which the Secretary of State asks is whether, assuming that no change is made for the present as to the site of the capital of India, Bengal ought to be placed under a Government similar to that of the Presidencies of Madras and Bombay?

This question, although it specially relates to Bengal, opens up, in fact, the whole question of the organization of the Government throughout British India. For the principles upon which our system of Government ought to be based will be essentially the same in all parts of the country, although local or other peculiar conditions must be considered when we have to apply those principles to any particular province.

Up to a certain point there is not much difference of opinion. It is generally allowed that in a country like India the ultimate executive authority must be vested in a single person, and that, whatever forms may be imposed upon him, he shall possess, if he choose to exercise it, complete discretionary power. Opinion is divided as to the advantage of associating Councillors with the head of the Government. The arguments against a Council resolve themselves into this, that a properly qualified Governor finds it a hindrance rather than a help. The arguments in favour of a Council amount to this, that as Governors are not perfect, they will commonly do well to take the advice of experienced Councillors. These views, however, do not necessarily lead to conflicting results. To meet both views, all that is necessary is to make the Council a body that is to be consulted only under those special circumstances when its co-operation is likely to be useful.

That the head of the Government of India, or of one of the great provinces, cannot personally perform all the business of the administration is evident. That this is the case in Bengal is shown, I think, unanswerably in Mr. Grey's Minute. When this happens, when the burden of administration becomes too heavy for a single brain, the only remedy is to strike off from below as much as possible of the less important business, reserving for the head of the Government questions of great importance and a general control. Such an operation can, I think, only completely succeed under one condition. The chief branches of the business to be disposed of must be placed under the administrative control of officers who are specially qualified to transact the business entrusted to them, and the responsibility of these officers to the head of the Government must be distinct and unmistakable. Each of them ought to have, within certain defined limits, acknowledged authority. He should be bound, in all matters of importance, to consult the head of the Government, and, so far as possible, to administer the department entrusted to him, in accordance with what he knows to be the policy which the head of the Government intends to follow. These principles are, I think, applicable to every Government in India, whether it be the central Government under the Governor General, or the Government of a province.

And, in fact, the actual business of the Government of India and of the subordinate Governments, is, up to a certain point, carried on very much in this way. Thus, each Member of the Governor General's Council administers a separate department, and disposes finally of the greater part of the business that comes before him. This is a great improvement on the state of things which existed some years ago, but the change ought, I think, to be carried still further. As Sir Bartle Frere wrote* eight years ago:—"The Governor would, as is usual in a Crown Colony, exercise his discretion in consulting his Executive Council as a body, instead of, as at present, being bound, if not to consult them, at least to let them know what he proposes in all things. They would thus become his ministers and advisers, not, as at present, his colleagues." * * * "There should be a proper division of labour; each Councillor having his own department, to which he can devote his whole attention continuously, instead of all consulting, or pretending to consult, on every matter, great or small, as used to be the theory and pretended practice."

This is, I am satisfied, the direction in which the current of events is taking us. The Councillors of the Governor General, and of each Governor, must become his responsible ministers, and cease to be his colleagues. The old conception of a Council that is to govern, or that is to determine, by a majority of votes, the measures to be adopted by the Government, ought to be put aside altogether. The mere name of a Council has, I think, become mischievous, because the ordinary Indian idea of a Council is, that it is a body which collectively governs. I would have no Executive Councils, so called, either for the Government of India, or for any subordinate Government.

When, therefore, I have to answer the Secretary of State's question whether Bengal should be placed under a Government similar to that of Madras and Bombay, I answer without hesitation in the negative.

The measures that ought, in my opinion, to be taken, with the object of strengthening the hands of the Lieutenant-Governor, have been already indicated.

The first thing to be done would be the arrangement of the chief branches of the business into separate departments. Each of these departments should be placed under the administrative control of an officer chosen on account of his supposed special qualifications to

transact

* See his Minutes, dated 16th March 1860, and 29th Dec. 1860.

transact the business entrusted to him. I would call him Minister. The term Secretary does not, in India, carry with it the weight which ought to attach to the executive head of a great department of the administration, and I think that the secretaries in each department would be just as necessary after the appointment of Ministers as they are now.

I think that the Ministers should be nominated by the Lieutenant-Governor, subject to the approval of the Governor General. Considering the heavy responsibilities of the Lieutenant-Governor, it would be unreasonable not to allow him a voice in the choice of his Ministers.

The Minister would dispose of all the ordinary business of his department in the name of the Government. His final powers should be subject to any limitation which the Lieutenant-Governor might impose. All matters of great importance would be referred to the Lieutenant-Governor. If such a difference of opinion between the Lieutenant-Governor and the Minister should arise as to lead the latter to decline the responsibility of issuing some particular orders, the Lieutenant-Governor might adopt one of two courses:—1st. He might desire the Minister to issue the orders at once, placing on record his reasons for so doing, in which case the Minister would have to obey or resign his office, placing on record, if he chose, the reasons of his objections; 2nd. The Lieutenant-Governor might discuss the matter with all the Ministers. Such discussion would only give to the Ministers the opportunity of expressing their opinions. There would be no counting votes, and the power of action would remain, as before, wholly with the Lieutenant-Governor. The Ministers would thus, in case of necessity, constitute the Lieutenant Governor's Council, and I believe this to be the only sort of Council that would be really useful. The Lieutenant Governor might, of course, consult the whole of his Ministers on any subject that he pleased. In fact, the practice should be very much that which is followed in the English Cabinet.

It may, perhaps, be said that considering the circumstances under which a Minister would be appointed, and the class from which he would ordinarily be taken, it would be unreasonable to force him to choose between obedience to the will of the head of the Government and resignation of his office. Although the Minister would, of course, be in a more difficult position than that in which a Member of Council can ever be placed under the existing system, and although there would be little or no analogy between his case and that of a dissentient Minister in the English Cabinet, I do not think that this objection has any serious importance. The case would hardly ever occur in practice in which a Minister had seriously to consider whether he would resign his office rather than carry out a policy which he believed to be improper. And if the matter ever went as far as this, there would be, in reality, a strong pressure to make the head of the Government hesitate before he insisted on carrying out his own views. If a Minister's resignation involved the necessity of his leaving the public service, a step which would often be little short of his ruin, the circumstances would be very exceptional which would induce the head of the Government to accept such a consequence. I may add that the possibility that a Minister may be too subservient is, in India, a smaller evil than the probability that he may be too obstructive.

I think that the title of Lieutenant Governor is to be preferred to that of Governor. The former term expresses better than the latter the position which the head of the Bengal Government ought to hold towards the Governor General. I think that it would be a decided improvement if the Governors of Madras and Bombay were called Lieutenant Governors also. Upon this point I agree with Sir Henry Durand. But I cannot agree with him in thinking that the Lieutenant Governors should be appointed by the Government at home. I believe that such a step would seriously weaken the influence of the Governor General, which requires rather to be strengthened than to be still further diminished.

Whatever he may be called, I think that the head of the Government of Bengal should hold a position of not less dignity and responsibility than that of the heads of the Governments in Madras or Bombay. Bengal is, in many respects, the most important province of India, and its administration is the most arduous.

This brings me to the Secretary of State's second question, which, however, has been almost sufficiently answered already.

The present relations towards the Government of India of the Lieutenant Governor of Bengal and of the Governors of the minor Presidencies have already assumed almost precisely the same form, and they require, I believe, no important modification.

The next two questions of the Secretary of State refer to the expediency of placing the local administration of Bengal in the same hands as the general administration of India, and to the restoration of the relations which formerly subsisted between the Governor General and the Government of Bengal.

To put back the administration of Bengal on the Governor General, or on the Government of India, in any shape or in any degree is, I believe, simply impossible. I am not aware that measures with such a tendency have been approved by any one who has knowledge of existing facts, or who is acquainted with the process of change through which the Government of India has been passing during the last 10 or 15 years. With the inevitable increase of business, the constant tendency has been for the Government of India to withdraw more and more from the control of matters of purely local administration, and this process seems certain to continue.

The next question refers to the Bengal Legislative Council. I do not think that its abolition would be a wise measure. We are told on the high authority of the Lieutenant Governor and of Mr. Maine that the local legislature has, upon the whole, done its work decidedly well. I believe, with Mr. Maine, that, at any rate, the Supreme Legislature would

have done it worse. The abolition of the local Council would lead to extreme dissatisfaction and clamour, without, so far as I can see, any advantage.

The questions referred to in paragraphs 18 and 20 of the Secretary of State's letter are closely connected. But it is hardly possible to discuss satisfactorily the question where the Head Quarters of the Government of India should be fixed, or under what circumstances the Governor General should leave his Council, until we know clearly what are the exact functions which the Government of India will have to perform, and what is to be the position of the Council towards the head of the Government. On the latter point I have already stated sufficiently the opinions which I hold. If the views which I have expressed be correct, if the Council of the Governor General ought to be a body of responsible Executive Ministers, carrying on their functions in subordination to the Governor General, then it seems to me to follow that the proper place of the Councillors, or as I should prefer to call them, Ministers, is with the Governor General. The old idea was that the Council was of right a governing body, and so long as this idea was acted upon, there was nothing unreasonable in the Governor General separating himself from his Council. The Governor General could reserve for himself a portion of the work, and the rest of it could be performed by the Council under a President. But, according to the view which I take, the Governor General could not properly separate himself for any considerable time from the Ministers who were responsible to him. This rule would, I think, be ordinarily liable to no exception, although it might become necessary to break through it if some great emergency should arise to threaten the peace or safety of the Empire.

If these opinions regarding the Council, be correct, and if it be admitted, as I think it must be, that the main function of the Government of India must be one of general control, and not of direct administration, and that this is true of all provinces without exception, the question of the place where its authority is to be exercised becomes one of secondary importance. The country is being intersected with lines of railway and telegraph in all directions. Almost every day adds some new extension to our means of communication. Within a very few years there will be an unbroken line of railway between Madras, Bombay, Calcutta, Lahore, and Peshawur, and there will be lines to almost every part of the country that is likely to have any political importance. Under such circumstances, it seems to me that, so far as the greater or lesser distances of various provinces are concerned, it matters little where the public business of the Government of India is transacted. In a country of such magnitude, it is a difficulty inherent in the problem, that the extremities of the empire are at immense distances apart, that their climates and the character of their inhabitants, and all other conditions are totally different. Whatever place we might select for our capital, the greatest number of the objections which are now urged against Calcutta would certainly apply to it with equal force. I concur in the views expressed by His Excellency the Governor General on this part of the subject. Admitting that it was accident rather than any consideration of political advantage which fixed the capital in Calcutta, it seems to me incontestable that this city has great absolute claims to preference, and that no reasons of sufficient weight have been yet brought forward to justify the choice of any other place.

This conclusion is in no way incompatible with the opinion that there is no necessity or propriety in making the Government of India remain during the whole year, or even necessarily for a portion of every year, in Calcutta. I think that Calcutta will almost always be the most convenient and suitable place for the head quarters of the Government during the cool season. The choice of the place where the Government is to remain during the hot season must, I think, depend on the circumstances of the time, but I quite agree in the opinion that has been expressed by his Excellency the Governor General that, under existing circumstances, Simla is not only the best but the only suitable place on this side of India. This much seems to me clear, that for the Government to remain in the excessive heat and unhealthiness of Calcutta, where it has no special or local duties to perform, during the hot months, would be irrational. The views which Mr. Maine has stated on this point in his Minute of the 16th March seem to me to be entirely just; and I think that his Excellency the Governor General has shown, in an unanswerable manner, in paragraphs 31 and 32 of his Minute of the 23rd March, that, as a matter of fact, the removal of the Government to Simla causes no inconvenience, and no interruption worth mentioning in the disposal of business. As Mr. Maine has truly said, a Government which expends unnecessarily the health of its servants on mere resistance to unfavourable physical conditions is "guilty of the most foolish form of prodigality." I think that nothing could well be more foolish than to ignore the fact that European faculties, bodily and mental, are more vigorous in a temperate climate than in one of extreme heat and relaxation, and to refuse to take advantage of the facilities with which nature has provided us for escaping from one of the most serious causes which interfere with the good administration of the Government.

The only other question in the Secretary of State's letter, that remains to be noticed, is that which is asked in his 19th paragraph. I think it highly desirable that the summary power of legislating for certain portions of the country should be restored to the Executive Government in the manner that has been proposed. I would, however, give this power to the Government of India alone. The reasons which have been given by Mr. Maine in support of this proposition, in his Minute of the 27th February, seem to me conclusive. I would add that the truth of Mr. Maine's views has been strongly impressed upon me by the practical experience which I have had during the last two years as Chief Commissioner of Oude. I think that we could hardly have better proof, than we can find in Oude, of the inconvenient and objectionable consequences which may follow from the present denial of legislative

legislative authority to the Executive Government. Political engagements of great importance were entered into by the Executive Government after the mutinies with the Talookdars, and various complications have since arisen which, as the law now stands, can only be dealt with by legislation. I think it evident that it is highly inexpedient to allow the Legislative Council, under such circumstances, to call in question the propriety of measures which, under the pressure of great political difficulty, the Executive Government considered it necessary to take. I do not say that it is probable that the Legislative Council would do anything of the kind, but the risk is one which it would be wiser to avoid. It cannot be right that in such matters the Government should be forced to ask the approval of a Council which, as Mr. Maine has said, "is not really responsible for the peace and good government of the territories to be legislated for." If this power of legislation be restored to the Executive Government, it will, as Mr. Grey has pointed out, be necessary to provide that the power shall be exercised in such a manner as to leave no room for doubt as to what orders of the Executive Government have or have not the force of law. I know from my own experience, in Oude and in the Central Provinces, that it is often extremely difficult to say whether an order issued before the passing of the Indian Councils Act is or is not law at the present time.

(signed) *John Strachey.*

Enclosure 12, in No. 11.

MINUTE by Major-General the Honourable Sir *H. M. Durand*, C.B., K.C.S.I., dated 28th March 1868.

I SHOULD not have deemed it necessary to add a word more to what I have already written were it not that in the 31st paragraph of the Minute of the Governor-General of the 23rd March, lately put into my hands, I find the supposed loss of two months' time is discredited, and his Excellency calculates the necessary and unavoidable loss of time in the year at a fortnight rather than two months. In proof of this, a table is appended showing the time, as it is stated, actually occupied during the past four years in the migrations to and from Simla, which give an average of 28 days.

2. It seems almost superfluous to remark that such a Statement as Appendix B., which shows the dates of departure and of arrival of the Governor General at Calcutta and Simla, is little or no criterion of the period of interruption to current business. What should have been shown as well, in order to give a correct notion on the subject, is the date of departure of the first batch of clerks, and the date of arrival of the last clerk in Simla of each of the different Departments of the Government of India. Judgment could then be formed how long a time elapses before the offices as a whole begin at Simla to work with full power.

3. Three different Departments—the Foreign, the Military, and the Public Works—have come under my own observation on this point. Of the other two, the Financial and the Home Departments, my observation has not been so close; but in 1867 the first batch of Clerks of the Financial Department left Calcutta on the 8th April; the last clerk reached Simla on the 13th May. So that from the 8th April to the 8th May, one month, the Financial Office could not be working at the same power as if it had been stationary in Calcutta.

4. Clerks are allowed (12) twelve days to make the journey to or from Simla, inclusive of time for making their arrangements. This is not more than enough, considering the rush that is then being made for dāk carriages from Delhi to Kalka. Also bearing in mind that the journey has to be accomplished, going up to Simla, at the hottest season of the year, and that the same facilities of movement, arrangements for accommodation, &c., cannot be secured to the mass of the public offices as to the persons entered in the Statement of Appendix B. As the supply of dāk carriages from Delhi is limited, it stands to reason that the clerks of all five of the Departments cannot be on the road at once, nor interfere with the movements of the Governor-General and Council. From the 8th April to the 13th May is, therefore, about the usual time they are on the move up.

5. Of course, secretaries, by a judicious arrangement of the secretariat staff, do their best to diminish the interruption to current routine work. Assistant Secretaries in Calcutta work whilst the Secretary is on his way to Simla; and he works at Simla whilst the Assistant Secretaries are moving up; but the disposal of all real important work, heavy pending cases, are delayed at least a month, and sometimes more.

6. That there happens to be little of what offices term arrears is really no proof of the despatch of business except of the ordinary routine kind. Without any desire to impugn the claim founded on no arrears, it does not touch the point whether the strain before a move to prevent accumulation and after a move to dispose of accumulation of business is favorable to a sound or to an affected despatch of business. My object, however, now is not to discuss this, but to show that the cavil at my calculation as to the period of paralyzed work, consequent on annual migrations, is not a cavil that can be supported by the real facts of the case.

7. No one will for an instant suppose that I mean it to be inferred that either *en route*, or when at Simla before the offices are working full power, any urgent references cannot be dealt with by the Governor General as soon as they reach him. My remarks apply to current business and the machinery indispensable to a government of record for the due transaction of that business and the proper keeping of the Proceedings of Government and its archives. Telegraphic messages can be received, and orders passed on them, wherever a telegraphic station lies on the route of the Governor-General; but this mode of transacting urgent business has, as every one knows, both its narrow limits and its practical dangers and inconveniences.

8. My meaning was, I venture to think, perfectly clear, viz., that from the first break-up of the offices at Calcutta to their being in a state of full working power at the opposite end at Simla, a month is consumed before the Government is completely established and work in ordinary swing.

H. M. Durand.

— No. 12. —

MEMORANDUM by Mr. Mangles.

As a Member of the Committee appointed by the Secretary of State to consider and report upon the relations of the Government of Bengal to the Supreme Government, and the best mode of rendering both authorities more effective for the fulfilment of their respective duties, I was necessarily debarred from expressing my individual opinion upon the important subjects under discussion. The majority of the Committee being mainly of one mind, their separate views, and the reasons, not always identical, which had led each member to adopt them, were fused into a common report; while those who declined to concur in the opinions therein briefly expressed, enjoyed the opportunity of stating fully, and of illustrating by argument, the conclusions at which they had arrived. Being deeply convinced of the great importance of the questions at issue, I gladly avail myself of the license granted me by the Secretary of State, to place upon record my opinions with respect to those questions, together with the grounds on which my opinions have been formed.

It may, I think, be safely affirmed, that but for the unhappy circumstance that the Province of Orissa had recently been visited by a terrible famine, cutting off by absolute starvation, or by diseases consequent to the want of sufficient food, a very large proportion of its population, we should have heard nothing of the alleged necessity of a change in the form of the Administration of Bengal. The present Lieutenant Governor, Mr. Grey, is the fourth who has held that office since its constitution by Lord Dalhousie, a pretty competent judge from his long experience (having been Governor of Bengal, without a Council, as well as Governor General of India, for six years), of the best mode of administering its affairs. The predecessors of Mr. Grey have been Sir Frederick Halliday, Sir John Peter Grant, and Sir Cecil Beadon. Until the untoward coincidence, in point of time, of the failure of Sir Cecil Beadon's health, with the drought that inflicted scarcity upon the greater part of Bengal Proper, and famine upon Orissa, and some adjacent districts, we heard nothing, as far as my memory serves me, of any inefficiency in the administration of the Lieutenant Governorship. Sir Frederick Halliday was tried by an ordeal such as I hope and believe no representative of the British Government in any part of India, whatever he may be called, will again be subjected to. He was Lieutenant Governor of Bengal throughout the mutiny of the Sepoy army. How he bore himself in that terrible crisis, the following letter, addressed to him by Lord Canning, will testify:—

“ Dear Mr. Halliday, Government House, 3 May 1859.

“ In saying good-bye to you, yesterday, I did not speak that which, for many reasons, I prefer to write deliberately, my thanks for the invaluable aid and support which the Government of India has received from you during the whole time of trial through which we have passed. Those thanks are very warm and earnest, as they ought to be; for if I had not felt that in Bengal I had your watchfulness, and your sound, experienced, vigorous judgment to lean upon, I should have had much greater anxiety about this part of India, than,
after

after the first few weeks, I ever felt. I shall never cease to be grateful to you for your help; and I am glad to think that there are very few matters connected with the great events which have been passing around us upon which there has been any difference between our views.

“Again, good bye, believe me, &c.
(signed) “Canning.”

In no other respect, to the best of my knowledge, was he found wanting. Yet this is one of the men whose failure in the fulfilment of the arduous duties of his office, too arduous, it is alleged, to be efficiently discharged by any individual, has been adduced as a proof of the necessity of a change of system.

Sir Frederick Halliday's successor was Sir John Peter Grant, a man of surpassing ability. The phrase is not a whit too strong. I have a right to speak of him in decided terms, for he began his career in Calcutta, as my assistant, when I was Secretary to the Board of Revenue; and I watched with admiration his onward course up to the highest post to which he could be appointed in India. He, too, was severely tried during his tenure of office. Upon him devolved the arbitrement of the long pending and bitter differences between the indigo planters and the ryots of Lower Bengal. In fulfilling this difficult duty he had to face the determined opposition of the whole European unofficial community, (excepting only the missionaries), and the virulent abuse and slander of the more unscrupulous of that body. In this struggle, though undoubtedly in the right, as the almost unanimous verdict of the Government and people of England subsequently decided, he was not too well supported by the Governor General and his Council; but he never flinched in the performance of the arduous and invidious duty which the complicated and vicious relations of the contending parties had imposed upon him, until he had succeeded in delivering the weaker of the two from a system of crushing injustice under which they had long groaned. While he rendered this special and eminent service to the most numerous and feeblest portion of the people under his rule, in no other respect was his administration found wanting in energy and efficiency. I feel confident that no case for even the expediency, much less for the necessity, of a change of system can be made out on the ground of any failure in the administration of Sir John Peter Grant.

Now, if the facts of the case be as I have stated them in regard to the character of the services rendered by Sir Frederick Halliday and Sir John Peter Grant, what becomes of the hypothesis that a change in the form of the administration has been called for by the proved inefficiency of the existing system? Or if, on the other hand, my opinion of their merits has been too partial, and the failure of those gentlemen to administer the Government of Bengal has been so decided as to demonstrate the necessity of a radical change, how did it happen that to each of them, in succession, was offered by the Imperial Government, at a very critical juncture, the difficult task of tranquillising and ruling Jamaica, a task which Sir John Peter Grant has executed, as I understand, with complete efficiency?

Up to the time when his health gave way, Sir Cecil Beadon followed in the steps of his two predecessors with no inferior success. If he had not been tempted to remain in harness too long, and to strive with failing strength and energy to fulfil duties which demanded for their efficient execution all the powers which the ablest servant of the Indian Government could bring to bear upon them, we should never have heard the failure to cope successfully with the fearful calamity that desolated Orissa brought forward as a conclusive argument to demonstrate the necessity of a great change in the administration of Bengal.

But it cannot, in my judgment, be fairly argued, because it cannot possibly be demonstrated, that a governor, with a council, would have done more to succour the victims of the famine than could have been effected by a Lieutenant Governor, acting alone, assuming each party to be equally competent, and equally sensible of the obligations of his station.

I desire to treat with all respect the opinions of those with whom I have the misfortune to differ, but I must be allowed to say that to call eagerly for the change of a system which has hitherto worked well, for no better reason, than I can see, than that a great calamity has occurred and been weakly dealt with,

which might not have been a whit better met if the proposed change had been previously carried out, appears to me to be very questionable statesmanship. It signifies nothing by what title the proper man might have been designated in 1865-6, or may be designated a year or two hence; such a person set face to face with the famine in Orissa, would have done, and would do, all that human ability and energy could effect to ward off, or to mitigate, the terrible effects of a visitation of Providence, as much beyond the control of man, as regards the vast majority of the sufferers, as the hurricane or the earthquake. Every one must deeply regret that all was not done that might have been done to furnish food to those who were within the reach of help; but it would be easy to demonstrate, if this were the proper place, and to illustrate the proof, *a fortiori*, by the example of the Irish famine, that a dense cottier population, so situated geographically, and with such agricultural and social habits as that of Orissa, cannot be saved, in the mass, by any human efforts, from the extreme consequences of famine, when it has pleased the Almighty to withhold for a lengthened period, and over a very wide tract of country (so as to preclude relief from proximate quarters), the normal fall of rain.

It is admitted, on all hands, I think, that the North Western Provinces and the Punjâb, have been well administered by Lieutenant Governors; but it is argued by those who maintain that a Governor, aided by a council, is needed for Bengal, that several concurrent causes, but, especially, the great excess of population in the Lower Provinces, constitute an essential difference, and raise the task of the ruler in that quarter above the powers of an individual. I need not repeat my appeal to what has actually been done by successive Lieutenant Governors of Bengal, but I submit that the test of numbers is a fallacious one. There are, probably, no people in the world so easily governed as the natives of Bengal. In no other country do the troops required to maintain peace and order, bear so low a relation to the numbers of the people. In the North Western Provinces, and in the Punjâb, but especially in the latter, where the population is most sparse, the Government is brought into contact, and, too often into unavoidable collision, with warlike and comparatively well-armed tribes, lawless, habitual freebooters, and inhabiting mountain fastnesses, very difficult of access. The wild tribes on the frontiers of Bengal, on the contrary, are weak in point of numbers, and are armed with the rudest weapons. They very rarely give trouble to the British Government, which is, therefore, able to devote its uninterrupted attention to domestic affairs.

Those affairs are, undoubtedly, very heavy and important, and call for great ability, and for very close application to business on the part of the Lieutenant Governor. But the Governor General has hitherto, as I have shown, found no insuperable difficulty in selecting officers thoroughly competent to fulfil the responsibilities, and to cope with the labours of the post; and it is the merest assumption to take it for granted that a governor, with or without a council, would do more work, or do it better, than Sir Frederick Halliday and Sir John Peter Grant, did it, than Sir Cecil Beadon did it, up to the time when his health gave way, or than Mr. Grey, as I am satisfied by what I have seen of his proceedings, is doing it now. Calling him by another name will not make him abler or stronger. A remedy for alleged shortcomings, recommended by some, namely, to supply his place with a Statesman fresh from England, of second or third rate standing (for no one in a higher position would accept the office), or, to give him such a successor, would certainly not tend, in my judgment, to improve the administration. If abler men than the two first Lieutenant Governors of Bengal are to be found in England, willing to undertake such duties and responsibilities, why was not one of them sent to Jamaica? And, on the other hand, what reason is there to doubt that the Civil Service of Bengal will continue to supply, in times to come, Statesmen as able as it has trained in times past? Surely, those who regard competition as a great success, cannot expect that it will result in degeneration.

What is really wanted to strengthen the Administration of Bengal, is, first, a larger staff of secretaries, to relieve the Head of the Government from all manual drudgery, and from all labour but that of the mind, a mode of relief at least as well afforded by secretaries as by members of council, and at a much smaller cost. Secondly, an improvement still more imperatively called for, that officers of every grade, from collectors and magistrates upwards, should be entrusted with larger powers for the definitive disposal of business. As a rule, almost

almost without exception, those officers are thoroughly trustworthy, and occasional errors of judgment will not be found, in practise, half so mischievous as the enormous waste of time incurred in the preparation of references, reports, periodical returns, and statements under many denominations. An executive officer cannot give the time that he ought to devote to visiting the different localities of his enormous district, and to making himself acquainted with all classes of the people, because he must be at his desk at the Sudder station to prepare reports of progress, and to fill up columns of statistics. When the Government can rely upon the honesty and good will of its officers, it is far better that they should have time to do what they ought to do, than that time should be spent in telling the superior authorities what they have done, or in asking permission to do it.

I need hardly repeat the axiom, so specially true as respects India, that all change is an evil, except when it can be shown that it is called for to correct serious abuses, or to promote great improvements. But, as regards such justifications the "*onus probandi*" lies on the advocates of change. And, unless he can show it to be so probable in the case under discussion as to approach certainty, that abler, more energetic, and more laborious men than those whom I have enumerated, as Lieutenant Governors, could be found to administer the affairs of Bengal with the title of Governor, and that Members of Council can do more and better work than secretaries, we shall do well, in my judgment, to strengthen the hands of Mr. Grey, and to let matters, in all other respects, remain as they are.

One word more : India, most assuredly, was not made for the Civil Service, and if it can be shown to be essential to the public good that its interests should in any case be disregarded, I should be the last to desire that those interests should be upheld. But it appears to me to be a legitimate argument against a change, which, to say the best for it, does not hold out a promise of very signal advantages, that the result of adopting it would necessarily be to deprive a great public service, not too much favoured by the Imperial Government, of one of those few high prizes which tend to animate its distinguished members to still more devoted exertions.

India Office, 7 May 1868.

R. D. Mangles.

— No. 13. —

MEMORANDUM by Sir *Erskine Perry*.

1. As the Report of the Special Committee on the future Government of Bengal was necessarily very brief, and as being addressed to the Secretary of State, it omitted several fundamental positions familiar in this office, but which formed the groundwork of the conclusions, at which as I conceive the majority of the Committee arrived, it may be as well perhaps shortly to state them.

2. First of all, the unanimous opinion of the Committee was, that Calcutta must be retained as the capital of India, which is a fact worth noting, because the language of this Despatch shows some ambiguity on the point, and because out of a committee of six, the local prepossessions of at least four, if not five, were in nowise favourable to Bengal.

3. The Government of India by the British, being a series of experiments, and an application of the science or art of administration on a field wherein history does not afford a precedent, for no age has yet witnessed the co-existence of a despotic government with an entirely free press, the wiser course seems to be not to attempt to set up any paper constitutions after the fashion of Abbé Sièyes, but to allow our institutions to grow up as it were spontaneously, modifying them from time to time as the results of experience may dictate.

4. Accident has produced one form of government in Madras and Bombay, and another in the Lieutenant Governorships, but there is no general concurrence of opinion amongst the most experienced administrators, indeed there is the greatest diversity as to the superiority of one form over the other. Under

these circumstances it is most inexpedient to introduce organic changes, respecting which the best authorities differ, especially amongst a conservative people, ever ready to reproach us with our constant changes of purpose, and who have too frequently very good reasons for doing so.

5. It is admitted by all, and indeed one of the main advantages to be expected from erecting Bengal into a full government is, that the future Governor should be sent out from England. Indeed the present able Lieutenant Governor most earnestly implores that he should be at once superseded, and that an English statesman should take his place. The political consequences of such a step has been very apparent to the Special Committee, but they seem to have been overlooked by many who have written from India. It is reasonable to suppose that in the selection of a Governor for Bengal, the Prime Minister of the day would fix on the most eminent Parliamentary Statesman whom he could induce to accept the office, for Parliamentary experience is very useful in India, and Parliamentary claims in this country are irresistible. It is probable, therefore, that the new Governor would be chosen from the class eligible for the Cabinet, if the Cabinet were but capacious enough to hold all that are eligible.

6. But the position of a Governor in Calcutta by the side of a Governor General, equal to the latter in previous social position, superior to him, perhaps, in ability and Parliamentary weight, would probably lead to direct collision and conflict of authority; and in every such case wherein Bengal interests stood opposed to the interests of India, what is called public opinion in Calcutta would inevitably side with the Governor of Bengal. The surplus revenue of the Gangetic Valley, *i. e.*, of the North West Provinces and of Bengal, at present forms the great fund by which the empire is maintained, and by which all public improvements are rendered possible. Bengal alone, out of a revenue of 16,000,000 *l.* sterling, only spends 5,000,000 *l.* on its own administration. If a *quasi* independent government is set up by the side of the Governor General, it would not be difficult for an able Governor, backed up as he would be by the press, the bar, and the zemindars, to raise a cry of Bengal for the Bengalees, that would be very difficult to resist.

7. A universal conviction pervades the council of the Secretary of State, that for purposes of finance, for distributing surplus revenue throughout the empire, as well as for the superintendence, direction, and control of the whole civil and military government of India, a great central authority like that of the Governor General must be maintained. But an equally strong conviction pervades my mind, and I think is present with many of my colleagues, that for all lasting improvements in government, and for the greatest development of the different and differing nationalities of India, we must look to local efforts and local administration. Now to combine these two great objects, the machinery to effect which has a tendency to grate and collide at so many different points, is the most important problem of the day for Indian statesmen. But there are signs in the horizon which throw light on the main difficulty to be encountered, and afford reason to hope that the financial position of the different governments may be satisfactorily arranged.

8. With these convictions the Special Committee had no hesitation in recommending that the Lieutenant Governorship of Bengal should be continued, that its connection with the Government of India should, if anything, be strengthened, and that the true remedy for supposed mal-administration in Bengal is to limit the sphere of action, which is evidently too widely diffused for any Governor or any Lieutenant Governor efficiently to supervise. If a complete corroboration of this view be required, it may be found in the elaborate statements and statistics of Lieutenant Governor Grey; and the efficient remedy has been indicated by the Governor General in suggesting the severance of Behar, as well as Assam, and the recommendations of the Special Committee point in the same direction.

9. Another recommendation of the Special Committee, *viz.*, that the general legislation for Bengal (and it might be added for all India) should be exercised by the Governor General's council, and that summary powers to make administrative rules and ordinances should be given to the Lieutenant Governor, requires elucidation, for the proposal has been termed retrograde.

10. The rise and progress of the law-making power in India forms a curious chapter in Indian history, but it is too long to recount here; it is sufficient to state that many years after the East India Company had acquired several kingdoms in the East, all the legislative authority which Parliament conferred upon them was the power to make rules for the good order and civil government of their possessions, which were to be enforced by fines, and public or private shipping (13 Geo. 3, c. 63, 39 & 40 Geo. 3, c. 79). These powers were manifestly so insufficient for the government of what was growing up to be a great Eastern Empire, that the language of Parliament was tacitly held to apply, and probably was only intended to apply to British subjects, and the Government of India continues to exercise the full powers of Government, including legislation, which they had acquired from their predecessors.

11. As time rolled on it was found necessary to give (practically) unlimited powers of making laws that should bind British subjects also, and in 1833 the Governor General in Council was empowered to legislate for all persons, whether British or Native, and for all places and things within British India; and in 1861 similar powers were given to the Government of Madras and Bombay, and also, under the direction of the Governor General, to the Government of Bengal.

12. As the law stands at present, then, there are four distinct centres in India from which legislation may proceed, the Governor General's Council, and the Councils of Madras, Bombay, and Bengal respectively; and it is now solemnly urged in India by several high authorities that similar powers of legislation should be attributed to the Governments of the North West Provinces, and of the Punjab, as they may be by a fiat of the Governor General in Council.

13. It is submitted that the policy of the Act of 1861, which sought to restore the powers of legislation over their own local matters to the local Governments was quite right, and in conformity with the principle recognized above (para. 7) as the teaching of experience; but it is also submitted that the machinery adopted has proved embarrassing and inexpedient for the public interests.

14. A very generous but premature attempt was made in 1861, to introduce something of a representative character into the Legislative Councils; but all who know India best are agreed on this, that for probably generations to come the elements do not exist for forming a representative Government, or anything approaching thereto; even in Bengal, which is undoubtedly far ahead of other parts of India in intelligence, as it is in wealth, I never heard any one contend that a majority of landowners and labourers could be found who would vote a new tax in behalf of the most obvious want of advancing civilization.

15. But if this is so, what can be more injudicious than to introduce one of the greatest defects in representative government, under which immense bodies of new, ill digested, and frequently unsuitable laws, are turned out every year, to the infinite perplexity of the people, and to the profit of none but the lower class, and legal practitioners.

16. As an Englishman of liberal tendencies I am deeply attached to our constitutional system, as a lawyer I am ever ready to maintain the wisdom and practical good sense that pervades our English jurisprudence, but as a citizen of the world I cannot but admire the facility and the advantages which a despotic Government like France, for example, possesses, and which all Governments using the civil law, enjoy, of giving to their respective people, simple, symmetrical, and permanent systems of law, which are capable of being brought home and made intelligible to every household.

17. I conceive, then, that the Special Committee were quite right in recommending that the Legislative Council of Bengal should be abolished, and that the power of making rules and ordinances should be restored to the local Governments.

18. But this measure is deemed retrograde by Lieutenant Governor Grey and others, whose opinions are entitled to great weight, and it is certain to be encountered with clamour; it is, therefore, necessary to meet the plausible objections which will assuredly be raised.

19. India at the present time stands in need of two different classes of law. The first comprises compendiums of the principles of jurisprudence, which the wisdom of ages has adduced as the safest rules for the guidance of human conduct; and these it is obvious may be drawn either from the civil or the English law, as being the systems in operation with the most civilized nations in the world. The second class comprises rules and regulations subservient to the maintenance and enjoyment of those substantive rights comprehended under the first division, rules which are constantly but temporary and local, and which none but local authorities can well judge of; such rules have been characterized by Bentham under the very significant term, *adjective laws*. There is a third class of laws by which new personal rights may be created, laws of status, laws of marriage, laws of succession, as to which it may be said that until the majority of intelligent Hindoos and Mahomedans desire a change, it is greatly to be hoped that none will be attempted; under this head may also be grouped the organic and constitutional laws so fertile for debate in Europe, but which for reasons above given are not open for discussion in India.

20. Now, of the two classes of laws above-mentioned, it is obvious that the first, which is the work of compilation, selection, rejection, origination, and symmetrical arrangement, the task may be far better performed, and it is now being performed, in England. It is a great triumph for the Home Government that they have been able to secure the services of some of the first jurists of England in a law commission for this purpose.

21. The second class, relating to adjective laws, is the real legislative business appropriate for an Indian Government; and for these it may be said that the machinery of a public legislative assembly, essentially bureaucratic in its character, but following most of the forms of the House of Commons, is not only cumbrous but unsuitable and injurious to good government.

22. If the rules and regulations of former governments previous to 1833 be examined, or the Legislative Acts since that period, they will be found mainly to come within the category I am describing, and the far greater part of them belong to the due and healthy action of the executive, controlled as it is in India by a vigilant press, by public opinion in England, and by the Home authorities.

23. It will be said of course, that to exclude from public discussion the legislative measures adopted by Government, to give no *locus standi* to the intelligent Englishmen and educated Natives resident in Calcutta and Bombay, will be to give free and unlimited career to your despotism.

24. But power in the subordinate Executive Governments to make rules and ordinances involves no such consequences; it is a great mistake to suppose that in a well-ordered native Government public opinion finds no place. The ready access to authority which the Durbar offers, and the simplicity of oriental manners, which allows so much freedom of speech, have ever enabled an intelligent native ruler to introduce improvements which were seen to be acceptable. It would be extremely easy for the Government of India by courteous arrangements and the use of honorific distinctions to elicit to a much greater extent than has been hitherto witnessed, both public discussion and native opinion on many points of executive Government, including administrative regulations; and this is the same line of liberal policy so much in unison with native usages which probably might be followed with great hopes of success.

25. Undoubtedly a proposal to abolish the Legislative Council of Bengal will meet with great opposition on the part of several of the Bar at Calcutta, and of some of the independent Englishmen connected with the planting interests in Bengal and Assam; and these gentlemen have every right to be heard. They have, however, great opportunities of making their wishes known, for the English press represents their interests, and Calcutta correspondents to the London papers reflect the same views. They have also, powerful organs in Parliament; they have, moreover, the very great advantage that where their special interests clash with those of the natives of India, the case of the latter, so far as the English press is concerned, is rarely ever presented to the public.

26. Nevertheless,

26. Nevertheless, when the facts of the case are fully brought before Parliament, which is the ultimate tribunal before which organic changes in the Government of India must be discussed, I have no doubt that the decision will be that the Legislative Council is a mere sham, so far as its representative character is concerned ; that it has an evil tendency in alluring members of the Government to assume the position of leaders of opposition, and that so far as special interests have been enabled to assert their claims, those interests will be generally found to be in conflict with the welfare of the people.

22 May 1868.

E. Perry.

COPIES of DESPATCH of the Secretary of State for *India* to the Government of *India* on the subject of the ADMINISTRATION of *Bengal*; of the REPORT of a Special Committee of the Council of *India* on the same Subject; and of other PAPERS relating thereto.

(*Sir Stafford Northcote.*)

Ordered, by The House of Commons, to be Printed,
8 May 1868.

[*Price 1s. 7d.*]

256

Under 16 oz.

EAST INDIA (CESSION OF BERAR).

RETURN to an Address of the Honourable The House of Commons,
dated 20 August 1867;—for,

“ COPIES of any CORRESPONDENCE that may have passed since the year
1865 between the Nizam's Government and the Indian Government on the
subject of the CESSION of BERAR : ”

“ And, of the POLITICAL SECTION of the ADMINISTRATION REPORTS for 1861
and 1862, made by Colonel *Davidson*, Resident at *Hyderabad*. ”

India Office, }
27 November 1867. }

J. R. MELVILLE,
Assistant Secretary, Political Department.

(*Mr. Stacpoole.*)

Ordered, by The House of Commons, to be Printed,
3 December 1867.

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COPIES of CORRESPONDENCE which has passed since the Year 1865 between the Nizam's Government and the Indian Government on the subject of the CESSION of BERAR, and of the POLITICAL SECTION of the ADMINISTRATION REPORTS for 1861 and 1862, made by Colonel *Davidson*, Resident at *Hyderabad*.

(Foreign Department.—Political.—No. 30.)

The Governor General of India in Council to the Right Honourable Viscount *Cranborne*, Secretary of State for India.

My Lord,

Fort William, 14 February 1867.

WE have the honour to forward, for the consideration of Her Majesty's Government, the accompanying copy of papers relative to a proposition by which his Highness the Nizam desired to obtain restoration of those districts in Berar, which are at present held by the British Government in trust for the payment of the Hyderabad Contingent, and the other charges specified in Article 6 of the Treaty of 1860.

2. The Hyderabad Durbar endeavoured to show that, on three separate accounts, the British Government had incurred, or was about to incur, debts to the Nizam amounting in all to 60 lakhs of rupees per annum. These debts the Nizam declared himself willing to forego, provided the British Government would give him back Berar.

3. We found, after careful inquiry, that the alleged debts had no existence; and, as the essence of the arrangement by which the British Government has undertaken to be responsible for the payment of the charges in question, is the retention in our hands of a permanent source of income adequate to the demand, we caused the Durbar to be informed that we could see no opening for any modification of the present assignment of Berar.

4. The most important feature in this correspondence is a claim which the Nizam has set up to share equally with the British Government in the expected lapse of the Mysore State. For the grounds on which we have disallowed this claim, we beg to refer your Lordship to our despatches noted on the margin,* and to our Officiating Secretary's letter to the Resident at Hyderabad, forming one of the enclosures of this despatch.

5. In our former communications we have had occasion to examine and disprove the Maharaja of Mysore's assertion that his tenure of that state is one of perpetual and indestructible sovereignty. We beg to point out that the pretensions to reversionary rights in Mysore, which the Nizam has now advanced, are fundamentally irreconcilable with the Maharaja's argument, and that, consequently, the advocates of either theory have no option but to disallow the other.

6. Your Lordship will observe that the Nizam does not ask for the maintenance of a "separate Government" in Mysore, under Article 4 of the Partition Treaty of 1799. On the contrary, his Highness so entirely approves of the annexation of the state, that he does not hesitate to speak freely of the Maharaja's death, and offers to barter his imaginary claims to a share in the lapse for the immediate practical advantage of recovering Berar. If there is any obloquy to be incurred by the appropriation of Mysore, the Nizam obviously does not shrink from bearing his part of it. His Highness, as is natural, looks only to his own interests in the matter; but, even according to this rule, we believe that the indifference with which he contemplates a measure said to be unpopular in India, is shared by the other native states. Ever since Lord Canning specially excluded the Maharaja of Mysore from the general privilege of a right

* No. 66, dated
31 August 1864.
No. 46, dated
5 May 1865.
See Parliamentary
Paper, No. 112 of
1866.

to adopt, the chiefs of India have all known that the continuation of that dynasty was doubtful, and they have all felt that its fate would in no degree compromise the perpetuation of their own houses.

7. We shall take advantage, however, of this opportunity to offer some remarks upon the term "separate Government." The word for "separate" in the Persian copy of the treaty is simply "alahidah,"—apart or distinct—which conveys no meaning of independence. How little force was attached to the word by the framers of the treaty, may be judged from the circumstance that in the fifth Article, although the English version includes the term "separate," the corresponding word is absent from the Persian copy, in which the "separate Government of Mysore" is translated simply "riyasat i mulk Mysore,"—the government of the country of Mysore.

8. Both the fourth and the fifth Articles make the establishment of the kingdom of Mysore dependent on conditions to be subsequently laid down. Those conditions, defined by Article 9, comprise the maintenance of a British force under the terms of the separate treaty between the British Government and the Maharaja. The effect, therefore, of these three Articles is to erect the provisions of the Subsidiary Treaty of Seringapatam into the conditions on which the "separate" Government of Mysore was to be established. But the provisions of that treaty in themselves, even without the light of Lord Mornington's authoritative explanations, are manifestly incompatible with the existence of an independent Government. The result is, that the word "separate," whatever else it may have meant, could never have been intended to mean isolated from the British power. We hold that it must have been used to denote merely such a setting aside of one portion of the conquered territory as would admit of a ready distribution of the remainder among the allied conquerors.

9. Another point which may also be here noticed is the phrase at the close of the preambles of both the treaties, to the effect that the engagement shall be binding "as long as the Sun and Moon shall endure." The wording of the original Persian is "ta aiam-i-quaiam Shams o Kamar," literally, to the times of the enduring of the Sun and of the Moon. The Government Persian Officer at the time the treaty was written, affected a quasi-rhythmical style of diction, much admired by Oriental scholars, and this may have had something to do with the selection of this particular conjunction of sounds. But, be this as it may, the phrase is certainly nothing more than a rather poetical form of an hyperbolic expression, common enough in all eastern languages, signifying long endurance quite as often as perpetuity, and placed where it stands in the preambles of the treaties, it can hardly be held to import more than the promise of "perpetual amity and friendship," to be found in the same position in many European treaties; nor is it as solemn as the invocations by which those promises are frequently confirmed. In any case the words cannot be held of sufficient force to override any conditions in the several articles of the treaty, which are positively inconsistent with perpetuity. Such conditions, we maintain, do exist in both treaties. For Lord Mornington reserved to himself "an unlimited right of assuming the direct management of the country," and that right, whenever it might be put in force, would necessarily put a period to the existence of the Mysore State. In fact, the Treaties of 1799, so far from guaranteeing perpetuity of existence to the Raj of Mysore, contain specific provision for the contingency in which its extinction might become desirable. The contingency was remote, but it did at last arrive, notwithstanding the honest and assiduous efforts of the British Government to stave it off.

10. In the same view we desire to invite your Lordship's attention to the marked difference that exists between the terms of the two very similar arrangements by which the Maharaja of Mysore in 1799 and the Raja of Satara in 1819 were, at the expense of dynasties which had in former times usurped their power, each respectively created by the British Government head of a separate state. In the Satara Treaty the engagement is throughout for the Raja "his heirs and successors." In the Subsidiary Treaty of Seringapatam the Maharaja of Mysore alone is mentioned, and the treaty is clearly a personal treaty of no effect beyond the single life of the Maharaja.

11. The

11. The question of a native ruler's right to adopt a successor has not much bearing on the case of Mysore; but we may mention that we intend to lay our views on the subject before your Lordship in a separate Despatch.

We have, &c.,
 (signed) *John Lawrence.*
W. R. Mansfield.
H. S. Maine.
W. Grey.
G. N. Taylor.
W. N. Massey.
H. M. Durand.

From Sir *George Yule*, C.B. and K.C.S.I., Resident at Hyderabad, to the Secretary to the Government of India, Foreign Department, Fort William (No. 18); dated 14 November 1866.

I HAVE the honour to forward herewith copy of a letter of the 27th October last, addressed to me by the minister of his Highness the Nizam, and which he desires me to submit for his Excellency the Governor General's consideration.

2. The minister's object in this letter is the restoration of the assigned districts. He briefly reviews the treaties of 1853 and 1860, by which the districts in question were assigned to the British Government for the payment of the contingent and other specified expenses, and he puts forth the non-payment of the surplus revenues of the said districts to his Highness, which the treaty provided should be paid, and his own want of funds to carry out improvements in his Highness's administration, as the reasons inducing him to propose restoration, provided satisfactory arrangements can be made for the payment of the contingent and other treaty expenses. It is clear, then, the minister would not have made this proposal, however desirous he might be of the restoration, unless he was able to suggest an arrangement which he considered satisfactory, and if his arrangement fails, his proposal falls to the ground. I will, therefore, review his arrangement, before considering his reasons for desiring the restoration.

3. Briefly, then, he claims from the British Government:—

	<i>Rs.</i>
1st. Half the revenue of Mysore - - - - -	41,50,000
2nd. Ditto - - Goomsoor - - - - -	1,50,000
3rd. The revenue of Kurnool, less the peshcush, or tribute	17,00,000
TOTAL - - - <i>Rs.</i>	60,00,000

And he proposes to give up these claims in return for the restoration of the assigned districts.

4. With reference to the claim on Mysore, it is unnecessary for me to offer any observations, as the subject does not lie within the sphere of discussion proper to my office.

5. The claim to half the revenue of Goomsoor is based upon the fact that his Highness's troops (part of the Nizam's contingent, as it was then called) took part in the conquest, and that consequently, by the 3rd of the separate and secret Articles of the Treaty of 1800, the Nizam is entitled to one-half of the conquered territory; but this seems to me a perverted application of the Article in question. The treaty to which it is attached was one of a general defensive alliance between the contracting parties, with a view to the effectual preservation of peace and tranquillity for the complete and reciprocal protection of their respective territories against the unprovoked aggressions or unjust encroachments of any enemies, and the Nizam bound himself, in case of war between either of the contracting parties and any other power, to assist at once with 12,000 infantry, 10,000 horse, and the requisite artillery, and subsequently to bring into the field the whole force which his dominions could supply. The 3rd Article itself provides, that only in case of unjust and unprovoked aggression, and after the

failure of their joint endeavours to obtain satisfaction, shall the contracting parties proceed to hostilities. It is clear from the expressions I have quoted, and from the whole tenour of the treaty, that it was intended to provide and guard against external aggression by a power more or less dangerous to either party or to both. It was never intended to apply to the case of a small disturbed tract in British territory, in reducing which to order and subjection the Nizam, as a friend and for convenience sake, and not under the provisions of any treaty whatever, lent us the aid of a few troops.

6. As regards the Kurnool claim, the minister argues that, by the treaty of 1800, the peshcush, or tribute only of the Kurnool jagheer was ceded to us, and not the revenues of the jagheer itself, which remained the property of the Nawab of Kurnool, a feudatory of the Nizam, and on the Nawab being ousted the jagheer should have reverted to the Nizam, whose seigniorial rights were never ceded. He quotes also the 6th Article of the Treaty which ceded Adoni, with whatever territory may be in the possession of, or dependent on, his Highness south of the Toombudrah, or south of the Kistnah, below its junction with the first mentioned river, and he says that this Article applied to his Highness's possessions at the time only, and not to any reversionary rights within the line mentioned.

7. The utter groundlessness of this claim is at once seen on referring to the Partition Treaty of Mysore, No. 9, of Aitchison's Hyderabad Treaties, and to the one following it, No. 10. In No. 9, Schedule B., is given the Nizam's share of the countries conquered from Tippoo Sultan, and in the list we find Kurnool peshcush amounting to 66,666 pagodas. This treaty was settled in June 1799. In the treaty of the following year with the Nizam, he assigned and ceded in perpetuity all the territories acquired by him under the treaties of 1792 and of June 1799, and the list attached to the treaty specifies, among the talooks acquired by the 1799 treaty and thus ceded, the Kurnool peshcush of 66,666 pagodas. Whatever rights, then, the Nizam acquired over Kurnool by the first treaty he ceded by the second; nothing was reserved. And, as if to leave no doubt whatever on the point, the 6th Article of the treaty of 1800 expressly declares that the Nizam cedes whatever other territory * * * was dependent on his government south of the Toombudrah or south of the Kistnah below the junction of the two rivers. Kurnool is in the position thus described, so that, even if it had not been specifically mentioned otherwise, its cession would have been ensured by this article.

8. I shall now return to the grounds assigned by the minister for desiring the restoration of the assigned districts.

There is no doubt that his Highness was unwilling to assign any land whatever, but he saw that the British Government would not undertake the payment of the Contingent without the assignment of territory yielding sufficient revenue to cover the above charge, with the expenses of management, &c. Previous experience of his Highness's inability to advance the necessary sums, or to repay them when advanced by the British Government, forced this determination upon the latter, and his Highness seeing this yielded. His Highness was resolved that the Contingent should be kept up; he knew this could be done only by the British Government, and as the British Government was equally resolved not to take the payment on its shoulders without a material guarantee, the Nizam gave in. He was unwilling to assign the districts, but he was still more unwilling to give up the Contingent, or take it from British management.

9. 2ndly. As regards non-payment of the surplus revenues agreed by the treaty to be paid to his Highness, it might be sufficient to say that in the Resolution* of his Excellency upon the mode of keeping the Berar accounts, orders have been given for the payment of the surplus, amounting probably to ten lakhs or upwards at the close of the year. When it is recollected that the Berar accounts for any one year could not be made up until accounts had been received from all the administrations and departments with which Berar had dealings either on its own account or on account of the Contingent, it is evident that some delay in ascertaining the amount of surplus, if any existed, must necessarily occur even under the new system of account.

10. Moreover, the administration of Berar was at first conducted on a very inexpensive scale—few officers, no roads, no buildings. Great reform was necessary

* No. 2628, dated 13 October 1866.

sary on all points, but it could only be carried out gradually as the stability of the revenue and its progressive increase became assured. The revenue has very greatly increased, from 32 lakhs to 50, and so has the expenditure, but not so quickly, and hence the surplus, but the two are now pretty equal. Under these circumstances, with a revenue raised directly from the cultivators, with the prospect of greatly increased expenditure in the civil administration, and the possibility of such any day in the Contingent, I think it would have been unsafe to pay over to the Nizam any estimated surplus at an earlier period than has now been directed by his Excellency. It is safe to do so now, still, however, retaining a margin in case of accidents, because we have seen from experience of the six years which have elapsed since the treaty was made, that there is a remarkable degree of stability in the revenue, that it steadily every year increases, and the enormous prices of cotton and grain have enriched the ryots to an extent which could be affected only by a series of bad years.

11. The second reason of the minister for the restoration is his want of funds to carry out reforms in his Highness's dominions under his charge.

Now there can, I venture to think, be no doubt of Salar Jung's immense superiority over his predecessors, of his earnest desire to improve the administration and the country, and of his honest endeavours to do so. But his desire for improvement, his perception of what should be done, and his capacity to do it, are not shared by his master, or by any other officer or noble in the State; his successor might be little better than those who went before him, and it would be unwise merely because he is a good minister upon whom dependence can be placed, to restore Berar with the probability of having to do over again, in the event of any accident to him, that which has already been done.

12. The assignment of Berar was rendered necessary by the failures of his predecessors to pay the Contingent,—failures which caused constant and most disagreeable relations between the Governments; the arrangement was brought about only a few years ago with great difficulty, and it would be unreasonable to set it aside now, because there happened to be for the time a minister superior to his predecessors; and as regards Salar Jung himself, though he has greatly economised the State expenditure, still very much now remains to be done. A very large portion of the revenues of his Highness's dominions are still misapplied, and though the minister says that the evil is of long standing, and can only be gradually and slowly remedied, still so long as it is unremedied, the want of funds cannot be assigned as a valid reason for the restoration of Berar.

13. There is a point of minor importance mentioned by the minister, which, perhaps, I should notice. It is the statement regarding General Low's assurance that the assignment would be the same thing as giving the districts in charge to a jemadar, meaning thereby that the cost of administration would be but trifling. I can find nothing on record on this head, and I imagine that if General Low did express himself to the effect stated, he did not refer to the mode or expense of administration, but to the nature of the measure by which the districts were put into British charge, viz., that they were assigned in trust for certain purposes as villages are assigned to individuals for payment of troops, temples, &c.

From *Salar Jung*, Minister of his Highness the Nizam, to Sir *George Yule*, C.B. and K.C.S.I., Resident at Hyderabad.—(No. 18); dated Hyderabad, 27 October 1866.

My dear Sir George Yule,

I AM very reluctant to trouble you and the Government of India with this letter, but circumstances and the repeated inquiries of his Highness the Nizam on the subject render it necessary for me to do so.

2. You are aware from the correspondence on record in your office of the great difficulty with which his Highness the late Nizam was persuaded to assign Berar to the British Government in 1853. The British Government, in the first instance, desired the districts should be ceded in perpetuity, to which his Highness would not consent, and it was only to prevent the unpleasantness

inseparable from pecuniary transactions between two Governments, and the assurances of General Low that the assignment would be just the same thing as giving districts into the charge of Arab or other jamadars, that his Highness was prevailed upon to accede to the measure, expecting that he would derive considerable benefit by it. Accordingly, the terms of the treaty required accounts to be furnished yearly, and the surplus to be paid to his Highness; but it is well known that neither of these conditions was fulfilled. In consequence of this, the Circar applied to the British Government for the restoration of districts held in excess of the amount required by treaty, as well as the accounts and surplus which may have accumulated during this period. The districts of Raichoor, &c., were restored, but no surplus was paid, nor any accounts rendered; but, as the British Government gave up the claim of 50 lakhs against the Nizam, his Highness could not with propriety press the demand, and therefore acceded to the supplemental treaty of 1860, which dispensed with the accounts altogether for the "past, present, or future," but rendered it obligatory on the British authorities to pay the surplus thereafter to his Highness, expecting that thenceforward, at least, the surplus would be paid to him regularly. In this expectation, likewise, the Circar has been disappointed up to this time, although six years have elapsed, and his Highness has not received a rupee of the surplus yet: and, if anything is paid hereafter, it can only be a small sum, considering our expectations and the very great expenditure allowed in Berar. I have no official data on which to speak, but I understand the revenues of the assigned districts have amounted to about 50 lakhs, 27 of which being appropriated to the purposes of the treaty, the remaining 23 lakhs are absorbed in administrative establishments, public works, &c.; thus the latter expenditure is nearly 8 annas on the rupee, about four times as much as was incurred on this account under our direct management. Berar is one of the most productive portions of his Highness's dominions, and the surplus revenues it is capable of yielding ought to be shared in by the less fortunate divisions of the country, and not appropriated exclusively for the benefit of Berar itself. This is more particularly felt at the present time, when the scarcity of corn presses so heavily on the people, and the urgent need of works of irrigation, &c., to extend cultivation is so manifest; and you are aware that these works are much more needed here than in Berar.

3. This Government has not the means of carrying out many administrative reforms, as you know. The civil establishments are very much underpaid, and, to make them efficient, liberal salaries must be offered to attract men of ability and character. The police department also requires considerable outlay towards its efficiency, and in public works, such as cutcherries, works of irrigation, &c., not only are new works imperatively called for, but old ones stand much in need of repairs; and, to meet all these demands, considerable sums of money are required, which this Government, in its present financial state, cannot afford. Although the credit of this Government is pretty good with the capitalists of the country, as compared with former administrations, yet it cannot raise loans to be repaid at pleasure, as the British Government can do.

4. Under the circumstances above stated, it is but natural that his Highness should seek to have Berar restored to him, which has indeed been his desire all along, if satisfactory arrangements can be made for the payment of the Contingent, &c.

5. That such arrangements are practicable I beg leave now to submit, trusting my representations will meet with the same kind and liberal consideration from the British Government which this Circar has always experienced.

6. The British Government has announced its resolution to annex the Mysore territory on the death of the present aged Rajah. In this case his Highness the Nizam will, of course, under existing treaties, receive the share that falls to him as the ally of the East India Company in the conquest of that country, in the same manner as the rest of the conquered territory was divided under the treaty of 1799.

7. It was the policy of the British Government to cede a portion of the conquered country to the Rajah; had it been otherwise, there can be no question that the present province of Mysore would have been included in the division made between the British Government and his Highness the Nizam. This is supported

supported by the opinion of Lord Wellesley himself, who, referring to the 5th Article of the Subsidiary Treaty of Mysore, 1799, declared that, if the Rajah deemed it objectionable, "he saw no alternative but that of dividing the whole territory between the allies."

8. Article 8th of the Partition Treaty of 1799 provides, in the event of the Peishwa refusing to accede to this treaty, &c., that the right of sovereignty of the several districts reserved for eventual cession to the Peishwa shall rest jointly in the East India Company and the Nizam; and Article 2 of the separate Articles stipulated that two-thirds of the share thus secured shall fall to his Highness, and accordingly two-thirds of the districts were made over to his Highness. In like manner, on the lapse of the Mysore territory, the Nizam's right to share it jointly with the British Government cannot justly be questioned. The 5th Article of the Partition Treaty declares that the cession of Mysore was the act of his Highness the Nizam as well as the British Government, mutually and severally. On its lapse, therefore, the appropriation of the territory should be with the consent of the Nizam. The 1st and 2nd Articles of it give to the East India Company and the Nizam shares of territory equal in value, and the Treaty shows the acknowledged rights of each party. His Highness the Nizam himself observed to me in conversation that treaties are very solemn engagements, and no change of circumstances of the contracting parties can weaken, much less cancel, their obligations, except by mutual consent.

9. The claims of the British Government on the Rajah by the Mysore Treaty were contingent on the non-fulfilment of certain conditions. The penalty involved in the infringement of these conditions was not incurred, and the lapse of the Mysore territory arises only and exclusively from the want of an heir, or the refusal of the British Government to permit the Rajah to adopt one. In the case of a lapse, therefore, the country reverts to its original condition before the cession was made to the Rajah, and under this condition his Highness the Nizam has a clear right to share in the division of the country.

10. By the 3rd Article of the separate and secret Articles of the Treaty of perpetual and general defensive alliance of 1800 it is stipulated that the Nizam "shall be entitled to participate, equally with the other contracting parties, in the division of every territory which may be acquired by the successful exertion of their united arms," &c.; and this treaty is confirmed by every successive treaty between the British Government and his Highness the Nizam. In accordance with this provision the Nizam received, in 1804, the cession of the territories conquered from the Rajah of Berar and Scindiah; and in 1822 his Highness received a further accession of territory, after the overthrow of the Peishwa.

11. His Highness the Nizam's troops have since taken part, more or less, in almost every campaign in which the British troops have been engaged in Southern India. They were actively engaged in Goomsoor, Kurnool, and throughout the mutinies in Central India, and assisted in the acquisition of territory forming now portions of British India; consequently, his Highness is entitled to an equal share in any territory so acquired; of course, I do not refer to territory belonging entirely to the British which was in a state of revolt, but only to such States the revenues of which did not belong to the British Government, but to the native rulers, and which, by conquest, have been added to the revenue of British India. Of the latter description, to say nothing of other petty States, are the countries of Goomsoor and Kurnool. His Highness the Nizam has a fair claim to half the revenue realized from Goomsoor, which, at the lowest calculation, will be about 1,50,000 rupees yearly.

12. By the Treaty of 1800 the peshcush only of Kurnool was ceded, not the revenues of the entire district, which remained in the possession of the Nawab of Kurnool, a feudatory of the Nizam; and on the conquest of that country it should have become the property of the Nizam, whose seigniorial rights were never ceded. By the 6th Article of the Treaty of 1800, in making an exchange of certain districts, his Highness ceded to the Honourable Company "the district of Adoni, together with whatever territory his Highness may be possessed of, or is dependent on his Highness's Government, to the south of the Toombudrah, &c." This applied only to his Highness's possessions at that time, and did not include his Highness's reversionary rights to any property situated

within that boundary. I therefore submit that his Highness's claim to the									
revenue of Kurnool is a just and valid one. This revenue, less the peshcush,									
would be about	-	-	-	-	-	-	-	-	Rs. 17,00,000
Add Goomsoor	-	-	-	-	-	-	-	-	1,50,000
TOTAL									Rs. 18,50,000
Revenue of Mysore, say 83,00,000 rupees, the half.									41,50,000
TOTAL									Rs. 60,00,000

making a total of 60 lakhs of rupees at the lowest computation.

13. I beg leave to submit that, with reference to these just and equitable claims, arrangements should be made for the restoration of the assigned districts to his Highness the Nizam.

14. As the lapse of the Mysore State will be a work of time, I would submit that the claims in regard to Goomsoor and Kurnool, amounting to 18,50,000 rupees, should be taken as part of the sum required for the payment of the Contingent, &c., and the most satisfactory guarantee accepted for the balance of 8,50,000 rupees.

15. You may, perhaps, think that the above claims in regard to Kurnool and Goomsoor should have been made at an earlier date. I do not know whether the late Nizam ever gave Rajah Chundoolall any directions on the subject, but I know that his Highness often referred to his claim to Kurnool, in conversation with my uncle; and, though I have no documentary evidence on the point, my impression is that his Highness himself mentioned these claims to General Fraser, but I am certain that my uncle did so to that gentleman. The state of affairs at that time was so embarrassing and complicated that, so far from bringing forward such claims, it was as much as we could do to keep our own.

16. As the British Government is now disposed to do strict justice to Indian rulers, and to carry out the spirit of Her Majesty's gracious Proclamation, the apprehension that claims of this nature would create annoyance and displeasure has been dissipated, and I am emboldened to bring forward these just claims, feeling assured that a generous consideration will be given them by his Excellency the Viceroy, and the districts will be restored to his Highness.

17. It may possibly be objected that the restoration of Berar to the Nizam would bring back the former misrule and disorder; but you may have observed that this has not been the case with regard to the restored districts of Raichoor, Dharaseo, &c., in which the system of administration under the British Government is continued in all its main features; and not only so, but the same system is being introduced into all the other districts under this circular. In respect to Berar, also, there would be little or no change in the system pursued, and the native officials, trained to the work under British officers, would be either continued or sent into other districts to carry out the same system of administration.

18. I have received many kindnesses from the British Government, for which I feel a sincere attachment, and desire its welfare quite as much as I do that of my own Government; but his Excellency will perceive that it is only an act of justice for which I am now pleading, and I am sure the well-known generosity and sense of justice of his Excellency will pardon this intrusion on his time and attention.

(Foreign Department.—Political.—No. 145.)

From *J. W. S. Wyllie*, Esq., Officiating Secretary to Government of India,
to the Resident, Hyderabad.

Sir,

Fort William, 13 February 1867.

I AM directed to acknowledge the receipt of your letter, No. 18, dated 14th November last, forwarding, for the consideration of the Government of India, a communication addressed to you by the Nizam's Minister, Sir Salar Jung Bahadur,

door, K.C.S.I., in which he advances propositions for the restoration to the Nizam's Government of those tracts in Berar, which, under the designation of the Assigned Districts, are at present held by the British Government in trust for the payment of the Hyderabad Contingent, and the other charges specified in Article 6, of the Treaty of 1860.

2. The Minister alleges that, under the third of the separate and secret articles appertaining to the Treaty of 1800, the Nizam has a perpetual right to divide equally with the British Government, any territory which may be acquired by the united arms of both powers, and that, in virtue of this right, his Highness holds an unsatisfied claim against the British Government, on account of the joint conquest of Goomsoor, amounting to $1\frac{1}{2}$ lakhs of rupees per annum. Sir Salar Jung further asserts, that the rights in Kurnool, which the Nizam ceded to the British Government by the Treaty of 1800 comprised nothing more than the peshcush; that, therefore, when Kurnool was conquered by the joint efforts of the two Governments, the whole revenues of the district, excepting the peshcush, should by rights, have lapsed to the Hyderabad Durbar; and that compensation on this account is now payable to the Durbar at the rate of 17 lakhs per annum. Lastly, the Minister declares that, according to the Partition Treaty of 1799, the Hyderabad Durbar is entitled to an equal share with the British Government in the anticipated lapse of the Mysore State, and that the British Government must consequently be prepared, in carrying out the annexation, to indemnify the Durbar to the extent of half the revenues of Mysore, or $41\frac{1}{2}$ lakhs per annum. Hence the total demand built up by Sir Salar Jung against the British Government reaches an annual sum of 60 lakhs; and, as a mode of clearance, he proposes that the assigned districts of Berar, which are estimated to yield annually 32 lakhs, should be restored to the Nizam.

3. The Minister characterises these claims as "just and equitable." He states, that the apprehension which he might have felt lest claims of this nature should create annoyance and displeasure, has been dissipated by a conviction that "the British Government is now disposed to do strict justice to Indian rulers, and to carry out the spirit of Her Majesty's gracious proclamation." He is therefore "emboldened to bring forward these just claims, feeling assured that a generous consideration will be given them by his Excellency the Viceroy."

4. Sir Salar Jung, I am instructed to observe, would have done well to avoid the imputation which his language contains, that there was a time when the British Government was less disposed than now to do strict justice to the princes and chiefs of India. The Right Honourable the Viceroy cannot admit that in this respect Her Majesty's proclamation engrafted any novelty upon the principles by which former Governors General of British India had been wont to shape their policy. It was their duty and desire, as it now is his, to deal justly with all men, and he emphatically repudiates the compliment offered to his Government at the expense of the illustrious statesmen, his predecessors.

5. Neither can the Viceroy allow that the present claims of the Hyderabad Government are "just and equitable." After close and anxious consideration in Council, such as was due no less to the gravity of the subject than to a regard for the Nizam's tried loyalty to the British Crown, the conclusion forced upon his Excellency is, that these claims are altogether baseless, and unsupported by a shadow of a right. It is painful to the Government of India to speak in harsh terms of any application from a native State; but the spirit of extravagant assertion which pervades Sir Salar Jung's letter, unworthy alike of his princely master's dignity and of his own reputation for enlightened statesmanship, leaves the Governor General in Council no alternative but to require that the future communications of the Hyderabad Durbar shall be framed in a tone more serious and circumspect.

6. I now proceed, under the instructions of his Excellency in Council, to an examination of the circumstances which are said to have given the Nizam rights co-ordinate with those of the British Government in the territories of Goomsoor, Kurnool, and Mysore respectively.

7. The campaign in Goomsoor took place in the years 1835-36, and the expedition against Kurnool in 1839. It is after an interval, therefore, of 30 years in the one case, and of 27 years in the other, that the Government of India is for

the very first time informed of its having incurred debts to the Nizam. Even, therefore, if the alleged debts had originally been substantive, the protracted silence of the creditor would still remain inexplicable.

8. But the Governor General in Council cannot admit that any obligation ever existed in either case.

9. The district of Goomsoor was formerly included in Chicacole, one of the five Northern Circars, and, as such, it formed from 1713 to 1752, a portion of the territory governed by the Nizam under authority from the Emperor of Delhi. In 1752 the French obtained possession of the circars, but seven years afterwards they were expelled by the English. In 1765 the conquests of the latter were confirmed by a firman from the Mogul emperor, dated 12th August, which gave the circars, "by way of enam or free gift," to the East India Company. Any rights which the Nizam may have had separately in these tracts he surrendered to the Company by a sunnud dated 12th November 1766; and, by Article I. of the treaty of 1768, he not only recognized the validity of the Delhi firman, but he "further acknowledged and agreed" that, in consideration of an annual payment of seven lakhs of rupees, "the said Company should enjoy and hold for ever as their right and property the said five circars." Subsequently, in 1823, the British Government redeemed this periodical contribution of seven lakhs by a single equivalent sum in ready money. The last vestige of the Nizam's connection with the Northern Circars having thus disappeared, it is manifest that the British Government's sovereignty over Goomsoor—a century old in practice—rests upon a title, which, at any rate since 1823, has been absolute and unqualified, and which the Nizam is trebly pledged to recognize.

11. The campaign of 1835–36 arose out of the misconduct of the Zemindar of Goomsoor, who fell into arrears with his rent, and became otherwise contumacious. Hostilities commenced in September 1835, and were continued in a desultory fashion during the following year. On the 12th August 1836, the forfeiture of the zemindaree, which had already been provisionally ordered, was declared by a Proclamation of the Madras Government to be "absolute and complete." Two months afterwards, when the insurrection was verging to a close, the Nizam was invited to lend the British Government the services of some cavalry, a request to which he* "cordially assented." One hundred sabres of the Nizam's Horse were accordingly marched to Berhampore. Whether this detachment, during its brief absence beyond Hyderabad limits, saw any active service is doubtful; the records of the Foreign Office favour the presumption that it did not.

* Letter from Colonel Stewart, the Resident at Hyderabad, to Mr. Secretary Macnaghten.

12. The plain facts, then, of the Nizam's co-operation in Goomsoor are, as stated by you in the 5th paragraph of the letter under acknowledgment, that for the purpose of reducing to order a small disturbed tract in British territory, "the Nizam, as a friend and for convenience sake, and not under the provisions of any treaty whatever, lent us the aid of a few troops." Inasmuch, however, as the Hyderabad Durbar pretends that, although treaty engagements were not specifically mentioned at the time, the British Government, nevertheless, could not have accepted military aid without becoming necessarily liable to resign half the revenues of the confiscated zemindaree to a coadjutor, it becomes necessary to inquire how far the article cited by Sir Salar Jung may be really applicable to the case.

13. Sir Salar Jung is correct in his quotation that the Nizam "shall be entitled to participate, equally with the other contracting parties, in the division of every territory that may be acquired by the successful exertion of their united arms." But he omits to give the important condition which immediately follows this clause, namely, "provided his Highness the Nawab Ausuph Jah shall have faithfully fulfilled all the stipulations of the preceding treaty, especially those contained in the 12th and 13th Articles thereof." Likewise, he takes no notice of the contingency in which alone this right was to take effect, namely, "in the event of a war and of a consequent partition of conquests between the contracting powers." Now the treaty mentioned as the "preceding Treaty," is that of the 12th October 1800, which, though the Nizam's earnest solicitations eventually gave it the form of a general defensive alliance against all enemies, had been in the first instance intended only as a provision against the expected encroachments of one particular Power, Dowlut Rao Scindia. Hence its terms are drawn up
with

with reference mainly to the single emergency then present. The "other contracting parties" are the Peshwa and the Bhonsla, both of whom, it was hoped, would have joined the league. The real purport of the article therefore amounts to this, that if a war took place, especially the impending war with Dowlut Rao Scindia; and if, for the prosecution of the war, the Nizam furnished a force of 6,000 infantry and 9,000 cavalry, and otherwise put forth all the military resources of his State and if, at the conclusion of the war, it was possible and expedient to have a partition of conquests, then, and only in that case, the Nizam would be entitled to participate equally with the British Government, the Peshwa and the Bhonsla in the division of territory. This, it must be acknowledged, is a very different thing from the right, unconditional and perpetual, now arrogated by the Hyderabad Durbar, to share equally with the British Government in every conquest which the two powers may at any time jointly achieve.

14. Sir Salar Jung asserts that the right, as he reads it, was practically conceded by the British Government in 1804 and again in 1822. In this, I am to observe, he is mistaken. The districts wrested from Scindia and the Rajah of Berar, which the Nizam obtained in 1804, were not granted on the ground of the Nizam's right to participate in the conquests of the war. On the contrary, Lord Wellesley (having some reason to be dissatisfied with the manner in which the Hyderabad State had performed its duties as an ally)* caused his representative to inform the Durbar in plain words that the lands were assigned "simply as a gratuitous cession on the part of the British Government on grounds distinct from any question of a right to participation of conquests." In like manner, in 1822, the Nizam's pretensions to an equal partition were again ignored. Lord Hastings was then Governor General, and the occasion was after the overthrow of the Peshwa. In fixing the advantages assignable to the Nizam, Lord Hastings† looked to two principles only, the extent to which the Nizam was justly entitled to benefit by reason of his actual services in the campaign, and the extent to which such fair earnings might be enhanced by British liberality and favour. The article, to which Sir Salar Jung refers, occupied no place in his Lordship's deliberations, and in no way affected the settlement.

15. In truth, Sir Salar Jung's argument is faulty from first to last. His reasoning, stated in the simplest form, is that in all joint conquests the Nizam is entitled to share equally with the British Government—that Goomsoor was such a conquest—and that, therefore, the Nizam should be granted half its revenues. But it has above been demonstrated that the Nizam has no such title, and that, even if he had, Goomsoor was not a joint conquest. It follows that the Nizam's demand for an annual payment of one lakh and a half must be rejected.

16. The Governor General in Council remarks that 300 men of the 3rd Nizam's Cavalry were employed at Sholapore in February 1845, and that a considerable portion of the Hyderabad Contingent saw active service against the rebels in 1857. Sir Salar Jung makes no request that these services should be paid for; but were he to demand half the Sholapore Zillah and half the Bengal Presidency, such pretensions could hardly be more preposterous than those which he actually asserts to half the Zemindaree of Goomsoor.

17. Turning now to Kurnool, the Governor General in Council observes that the history of that chiefship may be summarised as follows:—Originally the Nawabs of Kurnool were feudatories of the Nizam's Government, holding the jaghire on payment of peshcush to their sovereign. About the year 1760 Hyder Ali seized the country; and the peshcush, which up to that time had been payable at Hyderabad, was diverted to Mysore. Hyder Ali and his son, Tippoo, remained undisputed lords of Kurnool for nearly 30 years. After the war, which ended in Tippoo's ceding half his dominions to the British and their allies, the Nizam availed himself of the opportunity of his rival's weakness to revive his dormant claims over Kurnool. But these efforts, involving as they did an infraction of the Treaty of Seringapatam, were persistently discouraged by Lord Cornwallis,

* Letter to the Court of Directors, dated 10 June 1804, entered as No. XXX., Vol. IV. of the Wellesley Despatches.

† Mr. Secretary Adam's letter to the Resident, dated 26 September 1818.

wallis, and had no definite result. It was not until 1799, when the result of the second war with Tippoo had placed all Mysore at the disposal of the conquerors, that the Nizam's anxiety to re-assert sovereignty over Kurnool had any opportunity of being gratified. Lord Mornington, in making a partition of the conquered territory, included the peshcush of Kurnool in the share reserved for the Nizam. This arrangement, however, was only of a year's duration; for by Article V. of the Treaty of 1800 the Nizam transferred this same peshcush to the British Government. In this way the Nawabs of Kurnool, after having owed allegiance successively to the Nizam, to Tippoo, and again to the Nizam, ended by becoming in 1800 vassals of the British Government.

18. The reason for the expedition of 1839 was that the then Nawab of Kurnool had shown signs of putting himself in warlike opposition to the British Government. The British troops came into collision with the Nawab's levies on the 18th of October; the latter were routed, and their master captured. The natural penalty of this rebellion was the resumption of the jaghire by the British Government.

19. If any of the Nizam's troops were associated with our own on this occasion, the aid afforded could not have been considerable, for the records of the Foreign Office are altogether silent on the subject. All that is clear is that, in accordance with the right secured to us by Article XVII. of the Treaty of 1800, a portion of the British subsidiary force cantoned in Hyderabad territory was taken up for service in Kurnool. It is possible, however, that some of the mortars and howitzers mentioned on the margin of paragraph 1. of the Madras Government's Despatch to the Resident, No. 337, dated 12th August 1839, may have belonged to the Nizam. And in any case the Governor General in Council has no desire to dispute Sir Salar Jung's statement that the Nizam did render active assistance. Indeed, the point is of little or no importance, for what the Hyderabad Durbar now claims is not half the revenues of Kurnool under the treaty article, but the whole of the revenues, bating the peshcush, and it may therefore be assumed that the basis of the claim is not military co-operation, but the Nizam's ancient sovereignty over this particular district.

20. Sir Salar Jung maintains that, notwithstanding the Nizam's specific transfer of the peshcush to the British Government by the Treaty of 1800, and also his general cession of all territorial rights south of the Toombudrah by the same treaty, the Nawab of Kurnool nevertheless continued a feudatory of the Nizam, and that therefore the Nizam's reversionary right to benefit by the confiscation of the jaghire remained unimpaired; but, as a matter of history, it is certain that the sovereignty of Kurnool has always lain with the holder of the peshcush, and that after the year 1800 the Jaghiredar recognised none* but the British Government as his superior. If Sir Salar Jung intends to imply that the British Government's assumption of the supremacy was improper, and that the Nizam's rights of sovereignty rested on a title different from that of the enjoyment of the peshcush, and anterior to the events of 1799, a reference to the records of 1793 sufficiently shows the emptiness of any such pretension. All the Nizam's original rights in Kurnool were lost by him to the usurping Sultan of Mysore. Lord Cornwallis, in addressing the Resident, Sir J. Kennaway, under date the 12th April 1793, writes as follows: "Nothing appears to be more evident than that the Nizam has in fact, though not in form, suffered his title of lord paramount of Kurnool to be superseded, and that he must be considered to have given it up when he ceased to protect his feudatory against the usurpation of Hyder Ali; and even if it were otherwise, it would be impossible to reconcile the discordant claims of a demand for tribute by Tippoo with that of a paramount right in the Nizam." * * "The interference of the allies could only be warranted by a formal establishment of the Nizam's rights to the property of Kurnool; to this he does not pretend, and his title of lord paramount was certainly, as I have already said, superseded when Hyder exacted a tribute from his alleged feudatory, without resistance on the part of the Nizam."

21. These

* On the 29th October 1804, Lord Wellesley issued a sunnud to the Nawab of Kurnool, formally defining the Nawab's tributary obligations. In this document, not only is the Nawab described as one who, by the transfer of his allegiance to the Honourable Company, had become a feudatory of the British Government, but he is expressly declared subject to the "immediate authority" of the Madras Government.

21. These extracts prove that, in 1793, the lord paramount of Kurnool was not the Nizam, but Tippoo. During the six years that followed, the Nizam did not succeed in recovering the title from Tippoo; and when he eventually attained his object, it was only in virtue of the arrangements made by Lord Mornington, after the final defeat and death of Tippoo. Beyond the peshcush assigned to him by the Partition Treaty of 1799, the Nizam, in the year 1800, possessed no rights in Kurnool of any description. When he ceded the peshcush, he ceded every right of which he was competent to dispose; and as you, Sir, correctly point out, this cession is further confirmed by Article VI. of the Treaty of 1800, which assigns to the British Government, in general terms, the whole of the Nizam's possessions south of the Toombudrah.

22. The unavoidable conclusion is, that the British Government in 1839 acted within its strict right in monopolising the benefit of the resumption of Kurnool, and that Sir Salar Jung's demand for an annual compensation of 17 lakhs on this account is as utterly without foundation as his other claim to 1½ lakhs on account of Goomsoor.

23. There remains for investigation the claim to 41½ lakhs derivable from Mysore.

24. His Excellency the Governor General in Council considers it sufficient in this place to point out that the Nizam can have no concern, present or contingent, in the affairs of Mysore.

25. You should invite Sir Salar Jung's attention to the history of the Partition Treaty.

26. In February 1799, at the commencement of the second war against Tippoo, the Nizam conveyed to the Governor General, Lord Mornington, full power over all the interests of the Hyderabad State involved in the enterprise. The words employed by his Highness are: "In the same manner as the affairs of the Company are entrusted to the guidance of your Lordship's enlightened understanding, so do I, on the part of my Government, commit to your Lordship's approved judgment, all affairs, general and detail, relating to the present war."

27. Of the 30,000 men who took part in the war, no less than 20,000 were purely British troops, and 6,500 belonged to the British subsidiary force, which the Nizam was bound by treaty to maintain. Only the * small remainder represented the quota furnished by the Nizam, and even that, though nominally under the command of Meer Allum, was subject to the orders of British officers. A British general, Lieutenant General Harris, was at the head of the whole united army; and Lord Mornington, with plenary powers, directed and controlled the expedition as he pleased. The conquest, therefore, of Mysore was really a British conquest; and although from courtesy and views of expediency, the Nizam's Government was spoken of as conjoint in the operations, such phraseology was conventional, and deceived no one, least of all the Nizam.

28. Seringapatam was stormed on the 4th May 1799. On the 17th Lord Mornington wrote to the Resident at Hyderabad, as follows:—

"Although his Highness the Nizam has unreservedly committed the interests of his Government in the final adjustment of the concerns of the triple alliance to my charge, yet being desirous of consulting him in the present important conjuncture of affairs, as far as is consistent with a prompt and efficacious arrangement, I desire that you will, without delay, intimate to his Highness and the Minister my wish to be informed of their sentiments, not only with respect to the general arrangement of affairs in Mysore, as affecting the combined interests of the triple alliance, but also with regard to his Highness's particular views and pretensions." Again, on the 23rd May, Lord Mornington, writing to the same officer, said:—"My wish is, that the whole arrangement of our conquests

* "The Nizam's force formed so small a proportion, either in point of number or efficiency, of the whole army, that it would have been the height of injustice to have admitted his Highness's claim to an equal participation of the whole prize."—*Lord Mornington, to the Resident at Hyderabad, dated 30 June 1799.*

quests should be left implicitly to the Company's Government, but I should be glad to be furnished with a general outline of the views and pretensions of the Nizam." The Resident accordingly sounded the feelings of the Hyderabad Durbar; and his overtures resulted in the Nizam's addressing to Lord Mornington the following response:—"As the intimate connection subsisting between us renders the concerns of both States one and the same, and as I have committed all pending concerns, general and detail, to the guidance of your Lordship's enlightened understanding, whatever plan of arrangement your Lordship's well-directed understanding may suggest will have my approbation, and will be most calculated for the tranquillity and happiness of our respective dominions and subjects." These quotations establish beyond cavil that Lord Mornington was sole master of the situation, and that he was recognized as such by the Nizam.

29. By the 4th June Lord Mornington had conceived and prepared a plan for the division of the territory at his disposal. On that day he appointed commissioners for the settlement of the conquered tract, and unfolded to them his designs in the following terms:—"The restoration of the representative of the ancient family of the Rajahs of Mysore, accompanied by a partition of territory among the allies, in which the interests of the Mahrattas should be conciliated, appearing to me, under the circumstances of the case, to be the most advisable basis on which any new settlement of the country can be vested, I have resolved to frame, without delay, a plan founded on these principles; and I hope, in the course of to-morrow, to be able to forward to you the articles of a treaty, with proper instructions annexed, for the purpose of carrying the above-mentioned plan into effect." The following day his Lordship dispatched the promised draft of a treaty to the commissioners. He at the same time furnished the Resident at Hyderabad with a copy, and called on that officer to obtain from the Nizam the nomination of Meer Allum as a plenipotentiary to execute the proposed engagement with the commissioners. Meer Allum, it may be remarked, was selected for this duty in order to save time; for the treaty was to be executed at Seringapatam, where the commissioners had no one except Meer Allum present to act on the Nizam's behalf. The Nizam readily made the required nomination, and, in informing Lord Mornington of the fact, added,— "I have the most perfect conviction that your Lordship, agreeably to that justice and moderation which characterise you, will effect such an arrangement in concert with Meer Allum, respecting the affairs of Mysore, as shall meet with my concurrence and approbation, and be a subject of universal praise and admiration among the chiefs of this country." On the 22nd June the treaty was executed by the commissioners and Meer Allum at Seringapatam; on the 26th it was ratified by Lord Mornington at Madras, and on the 13th July it received the ratification of the Nizam at Hyderabad. The mere rapidity of negotiation, which these dates indicate, would of itself imply that the will of a single master-mind was carrying everything before it. And an examination of the actual circumstances proves that the Nizam was pledged beforehand to Lord Mornington's arrangements, whatever they might be, and that he did in fact accept them unconditionally as soon as they were made known to him. Whenever, therefore, a doubt may arise as to the interpretation of any passage in the Partition Treaty of Mysore, not only is it just to look to Lord Mornington's own writings for the key, but it would be absurd to consult any inferior source of information.

30. Briefly stated, the substance of the treaty is that a certain portion of the conquered territory shall be appropriated by the British Government, a second portion of equal value awarded to the Nizam, a third of less amount reserved for the Peshwa, and the large remainder created into a separate government under a native Prince of Lord Mornington's nomination.

31. This separate government and native nominee are respectively the existing State and Maharaja of Mysore. What their position in the system of Indian politics was to be, Lord Mornington dictated in a second or subsidiary treaty, simultaneously executed. The Nizam was not admitted to be a party to the subsidiary treaty; the engagement lay between the British Government and the Maharaja exclusively.

32. It is fortunate that Lord Mornington has left on record his intentions with regard to both treaties in the clearest language.

33. His Lordship's letter to the Resident, dated Fort St. George, 30th June 1799, states distinctly the fundamental principles on which he framed the Partition Treaty. "I have always," he writes, "been disposed to pay not only every attention to the just pretensions of his Highness the Nizam, but even to exceed the limits of his strict rights in allotting the measure of his participation in the advantages of our late conquests, but I cannot admit the claim of his Highness to an equal partition of all or any of those advantages to be founded on any principles of justice or reason. His Highness cannot avail himself of the Treaty of Paungul* to maintain his claim, because the article of that treaty relating to an equal partition of conquests could not be construed to apply to the late war. No other written or verbal engagement existing, to support such a claim on the part of his Highness, I have endeavoured to estimate his rights under the alliance by an entirely different, and, in my opinion, more equitable standard. My view has been to distribute the recent acquisitions of revenue between the two States in a due proportion to the efficient share which each has borne in the expense and hazard of the war, as well as to the security which each is likely to derive from the assistance of the other in maintaining their common interests and in consolidating the basis of the peace. Although," he continues, "I have assumed this principle as the general foundation of the whole settlement, I am persuaded that a fair review of the details of the Treaty of Mysore will convince any impartial mind that I have made concessions to the Nizam far exceeding the limits of the rule which I had thus prescribed to myself as the just measure of his Highness's rights." He then proceeds to review the several articles of the treaty. Coming to the 4th Article†, he writes:—"The 4th Article contains the basis of an arrangement founded on the strongest principles of justice, humanity and policy. It does not appear to me necessary to state anything further on this or the 5th Article‡; you will naturally observe that, if the Nizam's claim to an equal partition of territory had been founded in right, and consequently admitted by me, this adjustment, so honourable to the moderation, generosity and wisdom of the British character, would not have taken place." Finally, in the concluding paragraph of the Despatch he declares:—"The Treaty of Mysore appears to me to be highly favourable to his Highness's interests. If, however, he should object to the basis and fundamental principles of it, he will not excite an emotion of alarm and uneasiness in my mind. I am perfectly prepared to carry the new settlement into effect by the aid of British arms alone; and his Highness must be aware of the advantages which he will open to the Court of Poonah if he should compel me to resort to such extreme measures."

34. Lord Mornington repeated these views when reporting his proceedings to the Court of Directors on the 3rd August 1799. "The Nizam," he said, "certainly could not assert any just claim to an equal participation with the Company in the advantages of peace. The operation of the 6th Article of the Treaty of Paungul, respecting an equal division of conquests, was limited to the war which

* Sir Salar Jung wisely makes no allusion to the treaty of July 1790, known as the Treaty of Paungul; but it nevertheless deserves a passing notice, because the 6th Article of that treaty seems to be the original source of all the untenable claims, including the present one, which the Nizam's Government has from time to time put forward for an equal division of conquests. The most cursory glance at the treaty book (Aitchison, vol. V., pages 43—7) is sufficient to show that the whole tenor of the engagement, excepting Article 10, is, as Lord Mornington avers, of a strictly temporary character, applicable only to the first war against Tippoo, and not extending beyond that period. Article 6 provided that whatever acquisitions might come of that war should be equally divided between the British Government, the Peshwa, and the Nizam. The war was brought to a close in 1792. The Nizam then got the one-third share of the conquered territory to which he was entitled, and there the stipulation terminated, satisfied in full. If further proof were needed that the treaty thenceforward ceased to have any force, it could be found in the significant fact that Lord Cornwallis expended much tedious negotiation in an unsuccessful attempt to bring about a fresh treaty which should revive the extinct Treaty of Paungul.

† Article 4.—A separate government shall be established in Mysore; and for this purpose it is stipulated and agreed that the Maharaja Mysore Krishna Rajah Oodiaver Bahadoor, a descendant of the ancient rajahs of Mysore, shall possess the territory hereinafter described upon the conditions hereinafter mentioned.

‡ Article 5.—The contracting Powers mutually and severally agree that the districts specified in Schedule C. herunto annexed shall be ceded to the said Maharaja Mysore Krishna Rajah, and shall form the separate government of Mysore, upon the conditions hereinafter mentioned.

which terminated in 1792. Since the Peace of Seringapatam, the 10th* is the only Article of the Treaty of Paungul which can be considered to continue in force, and no subsequent engagements had been contracted with the Nizam which could entitle him to any advantages in the present peace exceeding his relative proportion in the expenses and exertions of the allied force during the late war. It was, however, desirable that the territorial revenue retained in sovereignty by the Company (after deducting whatever charges might be annexed to the tenure) should not exceed the Nizam's portion; and, consequently, I determined that this principle should be observed in the partition, reserving, however, to the Company, as a just indemnification for their superior share in the expenses and exertions of the war, the principal benefit of whatever advantages might flow from any engagements to be contracted with the new Government of Mysore."

35. Quotations from Lord Mornington's Despatches might be multiplied in the same strain, but the Governor General in Council considers that those above given are enough to establish—

Firstly. That Lord Mornington, unshackled by any *à priori* pledges to his allies, held and did practically enforce the right to divide the territory won from Tippoo in 1799, entirely according to his own sense of what was right and proper.

Secondly. That the principle on which Lord Mornington founded his division, was not, as Sir Salar Jung erroneously argues, one of equal shares to the British Government and to the Nizam; on the contrary, that he expressly repudiated that principle, and set up a different one in its stead, viz., a distribution proportionate to the exertions and expenditure of either party in the campaign.

36. It is true that the shares of territory which the Partition Treaty assigned in immediate sovereignty to the British Government and to the Nizam respectively were of equal value, being each rated at 5,37,000 Canterai pagodas. And so far there is some colour for Sir Salar Jung's theory of equal rights. But this was one only of three elements in an arrangement which must be read as a whole.

37. The reservation of certain districts for the Peshwa may be regarded as the second element. Article II. of the separate Articles attached to the Partition Treaty provided for the contingency of the Peshwa's refusing these districts, by a declaration that in that event they were to be divided between the British Government and the Nizam. Now, if Sir Salar Jung's argument were sound, the division should have been equal. As a matter of fact, however, the Article apportioned two-thirds to the Nizam and one-third to the East India Company. Moreover, the contingency provided for actually took place. The share offered to the Peshwa was refused by him, and accordingly came to be divided, as had been settled beforehand, between the Nizam and the Company, in the proportion of 176,000 pagodas to the former, and 88,000 to the latter. The net result, therefore, of the two first elements in the arrangement, taken collectively, was anything but an equal partition; for the Nizam's acquisitions amounted to 713,000 pagodas, while those of the British Government were 625,000 only.

38. But the end at which Lord Mornington intended to arrive was not merely an unequal partition. It was to be a partition in which the British Government should obtain, as it had fully earned, a clear lion's share of the spoil. Yet, up to this point, you will observe, the advantages granted to the Nizam had exceeded the Company's profits by 88,000 pagodas. Under these circumstances, it would be only natural to presume that there must have been in the remaining element of the arrangement relating to Mysore, certain benefits secured to the British Government, which redressed the balance to Lord Mornington's satisfaction. An inspection of the Subsidiary Treaty confirms this presumption, and Lord Mornington's own declaration seals it as correct. In the passage from his Despatches, which has been above quoted, he has distinctly stated that he reserved to

* Article 10.—If, after the conclusion of peace with Tippoo, he should attack or molest either of the contracting parties, the others shall join to punish him, the mode and conditions of effecting which shall be hereafter settled by the contracting Powers.

to the Company, "as a just indemnification for their superior share in the expenses and exertions of the war, the principal benefit* of whatever advantages might flow from any engagements to be contracted with the new Government of Mysore."

39. The advantages in question are detailed in Lord Mornington's Despatch to the Court of Directors dated 3rd August 1799. Speaking of the Subsidiary Treaty between the British Government and the Maharaja of Mysore, he says: "In framing this engagement it was my determination to establish the most unqualified community of interests between the Government of Mysore and the Company, and to render the Rajah's northern frontier, in effect, a powerful line of our defence. With this view I have engaged to undertake the protection of this country in consideration of an annual subsidy of seven lakhs of star pagodas; but recollecting the inconveniences and embarrassments which have arisen to all parties concerned under the double governments and conflicting authorities unfortunately established in Oudh, the Carnatic, and Tanjore, I resolved to reserve to the Company the most extensive and indisputable powers of interposition in the internal affairs of Mysore, as well as an unlimited right of assuming the direct management of the country (whenever such a step might appear necessary for the security of the funds destined to the subsidy) and of requiring extraordinary aid beyond the amount of the fixed subsidy, either in time of war, or of preparations for hostility. Under this arrangement, I trust that I shall be enabled to command the whole resources of the Rajah's territory, to improve its cultivation, to extend its commerce, and to secure the welfare of its inhabitants. It appeared to me a more candid and liberal, as well as a more wise policy to apprise the Rajah distinctly, at the moment of his accession, of the exact nature of his dependence on the Company, than to leave any matter for future doubt or discussion. The right of the Company to establish such an arrangement either as affecting the Rajah or the allies, has already been stated in this Despatch."

40. You will notice that Lord Mornington had in mind the circumstances of Oudh while dealing with the future condition of Mysore, and making provision under certain circumstances for the assumption of the direct management of Mysore. Shortly afterwards his attention was called to the case of Oudh itself, and to the possibility of assuming the direct management of that province. The views which he then put on record contain an expression of his determination never to make such an assumption "under a limited or temporary commission." It is tolerably certain, therefore, that if it had fallen to Lord Mornington to carry out the assumption which he contemplated in Mysore, he would have taken care that the measure should be neither limited nor temporary.

41. The Governor General in Council, however, declines in this place to discuss the details of the Subsidiary Treaty any further. The British Government and the Maharaja of Mysore are the only parties interested in that engagement; and the Nizam has no concern in it whatever. For the same reason his Excellency in Council cannot pause to refute Sir Salar Jung's erroneous statement that the anticipated lapse of the Mysore State "arises only and exclusively from the want of an heir, or the refusal of the British Government to permit the Rajah to adopt one." Sir Salar Jung takes too much upon himself when he attempts to instruct the Government of India in the interpretation of treaties to which the Hyderabad Durbar is not a party.

42. His Excellency in Council holds it sufficient to have shown that the Nizam was never entitled to so much as an equal share of the conquered provinces, and that his Highness was granted more than an equal share on the express understanding that the reversionary claim on the territories which constitute the present principality of Mysore should be vested solely in the British Government.

43. So

* Later in the same Despatch, Lord Mornington speaks of the collateral benefits which the Nizam also would enjoy by reason of the Company's connection with Mysore, referring, as the context shows, to the establishment of a friendly state on the Nizam's frontier.

43. So clearly did the Nizam of the day comprehend the British Government's intention to keep Mysore as its own appanage* for ever, that, in making arrangements the following year for the maintenance of the subsidiary force, he "assigned † and ceded in full and in perpetuity to the Honourable Company the district of Adoni, together with whatever other territory his Highness might be possessed of, or was dependent on his Highness's Government to the south of the Toombudrah, or to the south of the Kistnah below the junction of those two rivers." In fact, he consented that his power should be permanently confined to the north of the Toombudrah and Kistnah. How incompatible such a consent is with the Durbar's present pretensions to have throughout retained a lien upon Mysore, it appears superfluous to point out.

44. The Governor General in Council remarks, that Sir Salar Jung quotes a saying of his Highness the present Nizam, to the effect that "Treaties are very solemn engagements, and no change of circumstances of the contracting parties can weaken, much less cancel, their obligations, except by mutual consent." The maxim commands the entire assent of his Excellency in Council, who cannot but regret that the possession of so laudable a principle should not have availed to make the Hyderabad Durbar pause before it heedlessly challenged engagements which have the sanction of more than 60 years' acknowledged validity.

45. The final result, then, of the whole inquiry is that, whether for Mysore, for Kurnool, or for Goomsoor, the British Government is under no pecuniary obligations whatever to the Hyderabad Durbar.

46. Sir Salar Jung is, as you remark, prepared to admit that any request for the restoration of Berar must be preceded by the invention of some satisfactory arrangement for the payment of the Hyderabad Contingent from another source. It might, therefore, have appeared sufficient simply to inform the Minister that, as the alternative source of payment suggested by him had no existence, the restoration of Berar still remained an impossibility. But the Governor General in Council cannot have this reply communicated to the Durbar without some accompanying remarks upon Sir Salar Jung's exposition of the reasons which render the Hyderabad Government anxious to recover possession of Berar.

47. Referring to the original assignment of Berar in 1853, Sir Salar Jung insinuates that the Hyderabad Durbar was reluctantly drawn into this concession upon the strength of verbal assurances by which it was misled, and documentary stipulations which were never fulfilled.

48. As to the Nizam's unwillingness to make any assignment of land for the support of the Contingent, the facts are correctly stated in the 8th paragraph of your letter under reply. The British Government having had considerable experience of the Nizam's failure to provide the necessary funds, or to repay the money when it was advanced to him, gave his Highness the option either to see the Contingent disbanded, or to assign lands, the revenue of which, after deduction of the cost of their management, might suffice to cover the expenses of the Contingent. The Nizam, as you remark, "was unwilling to assign the districts, but he was still more unwilling to give up the Contingent, or to take it from British management." Of the two alternatives, therefore, he voluntarily elected the assignment of land.

49. In charging the British Government with a breach of the terms upon which the assignment was made, Sir Salar Jung is doubtless not alive to the gravity of the matter he takes in hand. But the Governor General in Council cannot on that account allow the accusation to pass unanswered.

50. With

* "It is my intention to exclude both the Nizam and Mahrattas, especially the latter, from any interference in the affairs of the Rajah of Mysore, who is to be considered as a dependent of the Company."—*Lord Mornington to the Resident at Poona, dated 4th July 1799.*

"The dominions of the Rajah of Mysore are inseparable from those of the Company, and he is as dependent on our power as the Nawab of Bengal or the Rajah of Benares."—*Lord Mornington to H. Inglis, Esq., dated 27th January 1800.*

"The territories placed under the nominal sovereignty of the Rajah of Mysore by the Subsidiary Treaty of Seringapatam, constitute substantially an integral part of our dominion."—*Lord Wellesley to the Court of Directors, dated 9th June 1800.*

† Article 6 of the Treaty of 1800.

50. With regard to the assurance which General Low is said to have given, "that the assignment would be just the same thing as giving districts into the charge of Arab or other Jemadars," you report that you "can find nothing on record on this head;" and you imagine that "if General Low did express himself to the effect stated," his meaning could not have been that the British Government's system of administration would be of an inexpensive character, leaving a large surplus for the benefit of the Nizam, but that the nature of the contemplated transfer was a mere assignment in trust for a particular purpose, to last only so long as that purpose might require to be maintained. There is reason, I am to observe, in your conjecture; but even if the alleged expression had a more definite value, the Governor General in Council could not consent to discuss the bearing of a solitary sentence uttered in conversation, so long as there existed a clear and full account, not only of the instructions on which General Low was proceeding, and of the communications he undoubtedly did make to the Durbar, but also of the meaning which the Durbar attached to his proposals. Out of the abundance of evidence forthcoming on the subject, it will be sufficient to cite the testimony of your immediate predecessor. In a demi-official letter on the records of this Office, addressed to Lord Canning, under date 25th April 1857, Colonel Cuthbert Davidson, speaking of General Low's negotiations, throughout which he had been personally present, writes as follows:—"I can positively testify it was then understood we were to manage the revenues in the manner we deemed most proper, on condition we made no further pecuniary demands on the Nizam's Government." After this, it is impossible for the Hyderabad Durbar to pretend that General Low could have pledged his Government to establish a system of administration in the assigned districts, specially differing in point of minor expense from that in force in British territory, for the express purpose of benefiting the Nizam. The fact is, that the British Government, in 1853, assumed the administration of Berar, fettered by no conditions except those of furnishing accounts and paying over to the Nizam any surplus that might be found available.

51. No surplus was ever paid over to the Nizam for the simple reason that the transaction, after a five years' currency, terminated in a deficit. The first purpose to which the profits of the Assigned Districts had to be put was the liquidation of the arrears of pay due to the Contingent. This charge, amounting to 13,76,654 rupees, not only swallowed up all the annual balance between the ordinary receipts and expenditure, but actually left the British Government worse off by 9,31,613 rupees than it had been at the commencement.

52. Looking to this result of the accounts when they were finally closed, the Governor General in Council cannot allow that the Nizam suffered any real loss from the British Government's omission to furnish annual accounts of its administration of the Assigned Districts. This, however, is not the ground on which his Excellency in Council wishes to justify what the British Government has always confessed to have been a dereliction from the letter of Article 8* of the Treaty of 1853. The justification is to be found in the Treaty of 1860.

53. Partly from the delay which, under the complicated system of accounts formerly observed, of necessity attended any attempt to balance the books for a particular year, partly from the occurrence of the mutiny, which for many consecutive months absorbed the Governor General's whole attention, and partly also from the circumstance of the administration in the Assigned Districts being organised according to a higher standard of efficiency than the Nizam considered necessary, the British Government found that the obligation it had undertaken regarding accounts was beyond its powers of fulfilment. As soon as the pacification of India allowed Lord Canning time to turn to matters of less vital interest, the difficulty was frankly acknowledged, and negotiations at once opened for putting the arrangement on a more practicable basis.

54. The result was the Treaty of 1860, by which the British Government purchased

* ARTICLE 8.— . . . The Resident at the Court of Hyderabad for the time being shall always render true and faithful accounts every year to the Nizam, of the receipts and disbursements connected with the said districts.

purchased a cancelment of its obligations to render accounts, as well for the past as for the future,* at a cost of resigning one-fourth of the Assigned Districts and forgiving the Nizam a debt, rated at 50 lakhs of rupees principal, and 2½ lakhs annual interest. Surely a more handsome atonement for an insignificant default was never made by any Government. Even, however, if the case were reversed, the default heavy and the atonement inadequate, Sir Salar Jung should remember that the matter is finally closed by the Treaty of 1860,† and that if he now makes a grievance out of the non-receipt of accounts from 1853 to 1858, he at the same time imperils the hold which the Nizam derives from the same Treaty on the lands of Dharaseo, Raichore, and Shorapore.

55. Lastly, Sir Salar Jung complains that the British Government is failing to fulfil its engagements under the existing Treaty of 1860. He says that none of the surplus Revenue of Berar, which the Nizam is entitled to receive under Article IV., has yet been paid by the British Government; and, further, that the country is administered on a scale too expensive to admit of there ever being such a substantial surplus as the Nizam has a right to expect.

56. In respect to the non-payment of the surplus, the Governor General in Council takes for granted that Sir Salar Jung, whose letter is dated the 27th October last, could not at that time have obtained information of the Government's Order in the Financial Department, issued at Simla on the 13th idem. In that Order an abstract was given of the receipts and charges of Berar, showing that, for the interval from 1860-61 to 1864-65, there was a surplus of over 10 lakhs, which, however, the expected deficits of the two following years, 1865-66 and 1866-67, would considerably reduce. It was at the same time announced that as soon as a closer approximation to the exact amount of the net surplus for the whole period could be obtained, a payment would immediately be made to the Nizam. The pledge was soon redeemed, for, on the 31st December, further Orders were issued in the Financial Department, by which the Governor General in Council was "pleased to direct that five lakhs of rupees be paid to his Highness the Nizam, as an advance on account of the surplus of the Berars, and that a triennial adjustment of the surplus be made, a balance being kept in hand to meet any additional expenditure." Five lakhs of rupees, therefore, have already been paid to the Nizam, and the Governor General in Council hopes that, on closing the accounts for the current year, it may be possible to pay an additional instalment. In any case, the Nizam is assured that there shall be a triennial adjustment of his claim. Under these circumstances, the good faith of the British Government's proceedings and intentions regarding the surplus is no longer open to the faintest doubt. The utmost that Sir Salar Jung can object is, that there has been some delay in the issue of the recent Orders. But the cause of this delay is amply explained in the 9th and 10th paragraphs of your letter. "The Berar accounts for any one year could not be made up until accounts had been received from all the administrations and departments with which Berar had dealings, either on its own account or on account of the Contingent;" and, in the second place, the administration of the province had at first been conducted on so poor a scale that it was impossible, until some years' experience had been obtained of the country's real wants and financial capabilities, to gauge the amount of new expenditure that might be properly devoted to procuring a stronger staff of officers, making roads, and erecting necessary buildings.

57. As for Sir Salar Jung's complaint that the cost of the administration now established in Berar "is nearly 8 annas on the rupee, about four times as much as was incurred on this account under" the Nizam's "direct management," I am directed by the Governor General in Council to request that you will call Article IV. of the Treaty of 1860 to Sir Salar Jung's remembrance. According to the terms of that Article, the Nizam is admitted to the benefit of the surplus revenue upon the express condition ‡ that the amount of money to be expended on the administration

* ARTICLE 4.—His Highness the Nizam agrees to forego all demand for an account of the receipts and expenditure of the Assigned Districts for the past, present, and future.

† By this same Treaty the valuable district of Shorapore was ceded in free gift to the Nizam, as a reward for his loyalty during the mutiny.

‡ Article 4.—... But the British Government will pay to his Highness any surplus that may hereafter accrue, after defraying all charges under Article VI., and all future expenses of administration, the amount of such expenses being entirely at the discretion of the British Government.

nistration shall be left entirely to the discretion of the British Government. Sir Salar Jung has shown himself so tenacious of the Durbar's right to the surplus that his forgetfulness of the British Government's co-existing and co-extensive right to organise an administration of unlimited expenditure appears the less excusable. For a full explanation of the Article in question, he may be advised to refer to the letter which, under instructions from Lord Canning's Government, Colonel Davidson addressed to him on the 29th November 1860. The penultimate paragraph is as follows :—" To the payment to the Nizam of any surplus revenue which may accrue from the districts to be retained when the charges upon them and the expense of administration shall have been met, the Governor General in Council will agree. But it must be on the understanding that the widest latitude is allowed to the British Government on this head, and that all charges which its officers consider proper and necessary for the administration of these districts will be defrayed from the revenues without question before any surplus can be made over to the Nizam, and that any deficiency arising from excess of expenditure over income in one year will be made good by the surplus in another. His Excellency in Council also understands that no accounts are to be rendered to the Nizam's Government, but that when a surplus accrues it is to be made over. The British Government having taken upon itself the administration of these districts, the Governor General in Council entertains the strongest objection to hold them on any terms which would hinder the Government from establishing a sound and efficient administration, or from promoting general advancement; while to revert to a system of annual accounts would be to revive a source of unpleasant discussion and possible misunderstanding." Sir Salar Jung, it is to be hoped, will now understand that, in criticising the cost of the Berar administration, he entered upon a subject which has been specially removed by treaty from the cognizance of the court of Hyderabad.

58. A good administration is necessarily an expensive one. But it is a duty which every ruler owes to his people to give them as good an administration as possible, and this course is also the most profitable in the end. It is the main cause of the great increase that has been obtained in the annual revenue of Berar since that province came under British management. And were his Highness the Nizam to follow the British Government's example in this respect, spending liberally where the good of his subjects is concerned, and economising in other directions where at present there is a large misapplication of his resources, there can be little doubt that the want of funds which his Highness now has to lament would soon cease to be felt.

59. You will be so good as to furnish Sir Salar Jung with a copy of this letter. You will at the same time intimate to him that it is a matter of unfeigned regret to the Right Honourable the Viceroy and Governor General in Council to have been obliged to reject with censure an application proceeding from a Minister whose generally admirable conduct has merited the frequent thanks of this Government, and lately has even been distinguished by a high mark of royal favour from Her Gracious Majesty herself, the Queen of England and of India.

(Foreign Department.—Political.—No. 67.)

The Governor General of India in Council to the Right Honourable Sir *Stafford Northcote*, Bart., Secretary of State for India.

Sir,

Fort William, 9 April 1867.

WITH reference to our Despatch, No. 30, dated 14th February last, we have the honour to forward, for the information of Her Majesty's Government, copy of a communication from the Government of Fort St. George, reporting the extent of military assistance rendered by the Hyderabad Government in the campaigns 1835-36 and 1839 respectively.

2. The letter proving that the assistance given by the Nizam was very slight, corroborates the argument adduced in paragraphs 11 to 22 of our No. 145 dated 13 February, addressed to the Resident at Hyderabad, disallowing the claims advanced by the Nizam on account of alleged co-operation in the campaigns directed against Kurnool and Goomsoor.

We have, &c.
(signed) *John Lawrence.*
H. Maine.
W. Grey.
G. N. Taylor.
W. N. Massey.
H. M. Durand.

From *A. J. Arbuthnot*, Esq., Chief Secretary to Government, Fort St. George, to the Secretary to the Government of India, Foreign Department (No. 8), dated the 15th March 1867.

I AM directed by the Governor in Council to acknowledge the receipt of your letter* of the 14th ultimo, calling for information as to the exact extent of military assistance rendered by the Hyderabad Government in the campaigns of 1835, 1836 and 1839 respectively.

* No. 155.

1 Captain. 2 Jemadars. 5 Duffadars. 5 Naib Duffadars. 38 Horsemen.	2 Trumpeters. 1 Camel Hurkara. 2 Mootosuddies. 2 Chupprassies. 10 Dooley Bearers.	rendered by his Highness the Nizam in the Goomsoor campaign consisted of a detachment of horse of the strength noted in the margin, while the Madras troops consisted of—
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Details of Artillery.

A Havildar's party of 2nd Light Cavalry.

A detachment of 3rd Regiment of Light Infantry.

The 6th Regiment Native Infantry.

A wing of the 14th - ditto.

17th Native Infantry.

A wing of the 21st Native Infantry.

43rd Native Infantry.

49th - ditto.

50th - ditto.

A detachment of Sappers and Miners.

3. In the campaign against Kurnool in 1839 a risala and a half of the Nizam's cavalry, numbering about 700 rank and file, was sent by the Resident at Hyderabad to that part of the Nizam's country which is opposite to Kurnool, mainly to prevent the escape of the Nawab of Kurnool to the northward and to save the Nizam's villages from being plundered by the Arabs, Rohillas and Pathan followers of the Nawab. This force did not cross the Toombudrah river, and consequently took no part in the action at Zorapore, at which the Nawab of Kurnool was captured, but it is understood, though there is nothing on record on this point, that the Nizam's cavalry rendered some service in cutting up a few of the fugitive Arabs and Rohillas who succeeded in crossing to the Hyderabad side of the river.

The British force employed at Kurnool was as follows:—

Detachment of F. Troop Horse Artillery.

1 Squadron, 13th Light Dragoons.

1 ditto, 7th Light Cavalry.

1 Company Foot Artillery.

Detachment of Sappers and Miners.

2 Companies, Her Majesty's 39th Regiment.

34th Regiment or C. Light Infantry.

4. Copies of the Papers* noted below are enclosed.

GENERAL ORDERS.

Head Quarters, Choultry Plain, 8th March 1837.

THE Right Honourable the Governor in Council having addressed the subjoined orders to his Excellency the Commander-in-Chief to be published to the army, they are accordingly published in Military Orders.

* General Order by the Right Honourable the Governor in Council, dated 4th March 1837.

Letter from the Officiating Resident at Hyderabad to the Chief Secretary to Government, Fort St. George, dated the 1st September 1839.

General Order by the Right Honourable the Governor in Council, dated 25th October 1839.

GENERAL ORDERS by the Right Honourable the Governor in Council, Fort
St. George, 4 March 1837.

No. 43 of 1837.—By reports lately received from the Honourable Mr. Russell, Commissioner, and Brigadier General Taylor, commanding the northern division of the army, the Right Honourable the Governor in Council has had the satisfaction of learning that the portion of the Ganjam district lately disturbed has been restored to such a state of peace and security as to admit of the withdrawal of all the troops, excepting those to be permanently stationed in the district.

The following are the troops that have been actively employed on field service in this district, since the commencement of hostilities in November last.

Regiments and Detachments.	Commanded by.
Artillery, Details of - - - - -	Captain Geils.*
Nizam's Horse, Detachment - - - - -	Captain Byam.
2nd Light Cavalry, Havildar's party.	
3rd Regiment, Light Infantry, Detachment of	Lieutenant Allan.
6th Regiment - - - - -	Lieutenant Colonel Hodgson.
14th - ditto - Wing of - - - - -	Lieutenant Walker.
17th - ditto - - - - -	Major Watson.
21st - ditto - Wing of - - - - -	Major Newell.
43rd - ditto - - - - -	Lieutenant Colonel Noble.
49th - ditto - - - - -	Lieutenant Colonel Alves.
50th - ditto - - - - -	Major Walter.
Sappers and Miners, Detachment of - - -	Lieutenant Smythe.*

The Right Honourable the Governor in Council has observed with high approbation the exemplary conduct of all the troops employed in the late arduous and harassing service, their patient endurance of extraordinary fatigue and privations, and the gallant and resolute spirit with which they executed every enterprise to which they were led by their officers, whose activity and energy have been conspicuous.

The 49th Regiment deserves particular notice. This corps was the first to enter Goomsoor at the commencement of the rebellion in September 1835, accompanied by the 8th Regiment (both under the command of the late Lieutenant Colonel Hodgson), and suffered severely from fever brought on by the harassing duties it had to perform until the month of June 1836, when it returned to cantonment at Berhampore. On the first intimation that hostilities were likely to re-commence in the month of November following, this regiment came forward for the service bodily, and with a spirit which reflects the highest credit on it, and is a proof of the high state of discipline it is in, the attachment of the men to the service, and the admirable management of the European officers of all ranks, in inspiring their men with these feelings.

The 8th Regiment suffered so much from the severe and incessant duties it had to perform during the first campaign, that it was thought proper not to permit it to take the field again; but the Right Honourable the Governor in Council feels that it would be wanting in justice to that regiment and its gallant leader, the late Lieutenant Colonel Muriel, were its services to be passed over in silence.

The detachment of the 3rd Regiment, Light Infantry, under the command of Lieutenant and Adjutant Allan, consisting of two complete companies, is also deserving of notice, as being composed of volunteers, notwithstanding what the regiment had suffered before in the Ganjam district and Kimedý.

The party of his Highness the Nizam's Horse, under Captain Byam, likewise merits special notice: in order that he might be in time to join before the commencement of hostilities, Captain Byam made a march of 588 miles in 31 days, and brought his men and horses to the frontier of Goomsoor fresh and perfectly efficient; his services and theirs were, during the time they were employed, fatiguing and incessant, but were performed with unwearied zeal and alacrity, greatly to their own credit, and to the benefit of the public interests.

The Commissariat also deserves particular notice; the arrangements made by this Department for the supply of provisions to the numerous detachments spread

* Vide 45 of 1837, 14th March 1837.

spread over a wide extent of country, and through different passes, have been most effective, and speak highly for the management of the Commissariat under the supervision of Lieutenant Colonel Tulloch.

The Right Honourable the Governor in Council has observed with great satisfaction the report made by Brigadier General Taylor, of the highly meritorious conduct of the Medical Department with the Goomsoor force, especially of the exertions of Acting Superintending Surgeon G. B. M'Donell, and his deputy, Assistant Surgeon Comming, which, both at the field hospital and in other situations, were laborious in the extreme, unremitting and successful; as well as his mention of the abilities and devotedness to their profession displayed by Assistant Surgeons Eyre, Kelly, J. Fuller, Bedwell, and J. Shaw.

The Right Honourable the Governor in Council has also observed with great pleasure the terms of unqualified praise in which Brigadier General Taylor mentions the services of Majors Butterworth and Hitchins, who were respectively placed under his orders in the Quartermaster General's and Adjutant General's Departments.

The Right Honourable the Governor in Council desires to express to Brigadier General Taylor the thanks of Government for his personal exertions in the exercise of the general military control, and for the able assistance he has on all occasions rendered to the Honourable Mr. Russell. The Right Honourable the Governor in Council is satisfied that the service has been greatly promoted by his presence in camp with Mr. Russell, by which every exigency was immediately provided for; and has observed with much satisfaction the good feeling which has existed between the military and civil officers employed in the operations.

To Brigadier Anderson commanding the Goomsoor Field Force, the thanks of Government are due for the support and assistance he has always afforded to Brigadier General Taylor and the Commissioner, and for his zealous exertions in the cause generally.

(signed) *Hy. Chamier,*
Chief Secretary.

EXTRACT from the Minutes of Consultation of the Right Honourable the Governor in Council, under date the 4th March 1837.

THE Right Honourable the Governor in Council cannot permit this opportunity to pass without recording his sense of the Honourable Mr. Russell's devotion to the public interests, in having, though at great inconvenience to himself and family, proceeded to the Ganjam district, and directed in person the measures by which the rebellion in that district has been brought to a termination, thereby voluntarily exposing himself to great labour, trouble, and personal risk, when his official situation exempted him from undertaking those arduous and responsible duties.

Those duties having now been brought to a happy and successful issue, the Right Honourable the Governor in Council performs a gratifying duty in acknowledging the meritorious services rendered by the Honourable Mr. Russell. The whole of his conduct in the discharge of the highly important trust confided to him, has met with the unqualified approbation of Government. The intelligence, judgment, and prudence with which his measures have been planned, the ability, energy, and firmness with which they have been prosecuted, and the success with which they have been carried into effect, reflect the highest credit upon him. He has vindicated the authority, and upheld the character of Government in a manner which has already produced the most salutary results, and caused an impression, which it is hoped will be of permanent efficacy in restraining excesses such as those by which this part of the country has been lately disturbed, and preserving peace and order.

The Right Honourable the Governor in Council considers Mr. Stevenson, the Collector and Magistrate of Ganjam, and Captain Campbell, of the 41st Regiment Native Infantry, at first Secretary to the Commissioner, and afterwards Assistant to the Collector and Magistrate of Ganjam, to be entitled to high commendation for their zealous and efficient co-operation with the Honourable Mr. Russell on all occasions, and he observes with much pleasure the approbation expressed

expressed by Mr. Russell of the services of Captain Macdonald, both as Deputy Judge Advocate General in conducting the trials of the rebels, and as Secretary to himself.

(A true copy.)

(signed)

Hy. Chamier,

Chief Secretary.

By order of the Commander in Chief,

T. H. S. Conway,

Acting Adjutant General of the Army.

From *J. S. Fraser*, Esq., Officiating Resident, Hyderabad, to the Chief Secretary to Government, Fort St. George, dated 1st September 1839.

I HAVE the honour to state, for the information of the Government of Fort St. George, that in consequence of the probability of approaching hostilities with the Nabob of Kurnool, and the risk there may be that he will endeavour to escape towards the northward through the Nizam's territory, and that at all events his Arab, Pathan, and Rohilla followers are very likely, on the fall of Kurnool, to cross the river, and either plunder the Nizam's villages, or by taking service with the troublesome zemindars of this country, increase the very evil which it had been so long our object to diminish, I have, as a measure of precaution, and with the entire assent and concurrence of the Minister of this State, ordered a risala and a half of the Nizam's Cavalry from Mominabad, amounting to about 700 rank and file, to move down immediately upon that part of the Nizam's country which is opposite to Kurnool, from which parties will be detached and stationed at proper places eastward along the northern bank of the Kistnah, as far, probably, as the district of Kurnool extends, and westward in a similar manner for a few miles along the northern bank of the Toombudra.

2. The special and direct object of this measure will be the security of that part of the Nizam's dominions; but if thought desirable by the Madras Government, I shall be happy to give instructions to Lieutenant Colonel Blair, who will command the party, to be prepared to comply with any requisition he may receive from Major General Wilson for the assistance and co-operation of this force, or any part of it, even beyond the river, in any such way as the Major General may deem advisable.

3. It were, in my opinion, to be wished that, in the event of the fall of Kurnool, and the garrison of that place being made prisoners, the Arab portion of it should be marched to Bombay and removed altogether out of the country, as they are a lawless and very troublesome description of troops in the Native States wherein they contrive to establish themselves.

4. I shall at all events be glad to learn, if there is no impropriety in my asking for the information, what orders the Madras Government propose giving to Major General Wilson for the ultimate disposal of the Arabs, Rohillas, Turks, and Pathans who may fall into his power on the capture or surrender of Kurnool, as it will be indispensably necessary for this State to keep an eye upon them in the event of their being liberated, and retiring, as they no doubt will, to the Nizam's country.

5. I beg to take this opportunity of mentioning that I have received information that an emissary of the Nabob of Kurnool arrived at Hyderabad a few days ago with 60,000 rupees to purchase horses for his master, and that I consider myself justified, under all the circumstances of the case, to demand from the Minister the detention of this individual and the seizure of his money for the purpose of being kept in temporary deposit.

6. Orders to this effect were in consequence given immediately, but it appears that the man hastily left Hyderabad to return to Kurnool three days ago, on hearing that our troops had marched in that direction. He had not brought ready money with him, but hoondees drawn at Kurnool upon Sahoocars in this country.

7. I am happy to be able to add, that I have this moment received private information of the apprehension of Illibi Buksh, not at Kurnool, where I thought he was, but in the talook of Nilgundab, in the Nizam's country, and that he is now on the way for the purpose of being delivered up to me.

8. I attach considerable importance to the seizure of this man, as, independently of the known fact of his having been recently employed as a messenger between the Nabob of Kurnool and Mubariz-ood-Dowlah, I have been informed by one of his own associates that he was the person who excited so much disturbance at Bangalore and Cuddapah in 1832, by throwing dead pigs into the mosques of those places, and that in doing so he acted under the orders of Mubariz-ood-Dowlah.

GENERAL ORDER by Government, No. 174, dated Fort St. George,
25th October 1839.

THE Right Honourable the Governor in Council, in directing the publication in General Orders of the subjoined Despatch from Lieutenant Colonel Dyce, commanding a detachment of the Kurnool Field Force, while he laments that the humane efforts of that officer to prevent bloodshed have been defeated by the infatuation of the Nawab of Kurnool's followers, cannot refrain from expressing the high sense he entertains of the gallantry and soldier-like conduct displayed by Lieutenant Colonel Dyce, the officers and men of the detachments in the attack upon the Durgah at Zorapore.

COPY of a LETTER from Lieutenant Colonel *A. B. Dyce*, 34th Light Infantry, Commanding Detachment Field Force, to the Commissioners for the Affairs of Kurnool; dated Camp near Kurnool, 18th October 1839.

AGREEABLY to the instructions conveyed in your communication of last evening, I have the honour to state that I moved at daylight this morning with a detachment, as per margin, under my command towards the village of Zorapore, where I arrived at half-past six, and halted on the outskirts. I then proceeded into the village accompanied by Captain Balfour, Major of Brigade Artillery, who acted as my staff throughout the morning; here I had an interview with the chiefs, Yaseem Khan, Nowal Khan, and Ushreef Khan, when the terms* offered by Government were distinctly explained to them; after some discussion they appeared satisfied, but wished to confer with some of the other chiefs, which was acceded to. They returned after some time, but the result of these and several other interviews proved unsuccessful; and as upwards of two hours had now elapsed, I determined to try the effects of intimidation, and immediately placed the troops in position to attack, if necessary, the Durgah and stone inclosure occupied by the Nawab and his followers; this produced an immediate visit from the before named parties, accompanied by several others, and among them the Rohillah Shah Wully Khan, who seemed chiefly to direct the negotiation.

On this occasion (anxious to avoid unnecessary bloodshed) I again used every endeavour to induce them to agree to the terms offered, pointing out the inevitable consequences of refusal, but in vain; the conduct of Shah Wully Khan amounted to extreme insolence; and he distinctly avowed his determination that the Nawab should not surrender unless I would, on the spot, adjust all claims of arrears of pay, and furnish them with passports to proceed to Mecca, stating that the paper, alluding to the communication addressed to him and the other chiefs by the Commissioners (which, I should here remark, he positively refused to receive), was useless, and that he placed no faith in promises. The party then withdrew to the Durgah, and did not again make their appearance.

After this there appeared to be considerable commotion at the Durgah, and parties of the enemy moved out and lined the walls; three hours and a quarter having now elapsed I sent the Persian moonshee, Abdul Ally, to beg the chiefs would consider the terms offered, and accede to them, or that I should be obliged to attack them: to this they replied, "Attack us; we also are ready." I now ordered the guns to open, which was done with admirable effect by Major Bond, and which was instantly returned by a very heavy fire of musketry and ginjals from every direction; finding the enemy determined to hold his position behind

* The terms tendered to the foreign troops near Zorapore were a guarantee for the payment of all arrears which might be due to them, and passports to enable them to proceed to their own country with security of life and property.

behind the strong stone walls at which he had taken post, I charged and drove them out at the point of the bayonet. The struggle at the Durgah and inclosures was for some minutes very desperate and hand-to-hand, the men confining themselves almost entirely to the bayonet opposed to the swords and daggers of the Rohillas and Arabs.

The conduct of the detachment of Her Majesty's 39th Regiment was such as always characterises British soldiers, but nothing could exceed the behaviour of the 34th Regiment L. I. I beg particularly to bring to the notice of superior authority the conspicuously gallant conduct of Lieutenant Colonel Wright, of Her Majesty's 39th Regiment, who has been dangerously wounded; of Major Bond, commanding the batteries; of Major Montgomerie, commanding detachment cavalry; of Major Armstrong, 34th C. L. I., who himself seized the Nawab; and of Captain Balfour, B. M. of artillery, who acted as my staff throughout the morning, and for whose exertions and assistance I feel much indebted. The loss of the enemy has been severe, and the bodies of the Rohilla Chiefs, Shah Wully Khan and Noor Khan, and of the Arab Jamadar, Shaik Saeed, have been recognised among the killed.

The Pathan Chief, Ushreef Khan, and 98 prisoners have been brought into camp.

The cavalry having been employed in cutting off and securing fugitives were not under my immediate observation, but Major Montgomerie, who commanded them, has reported in the highest terms of the conduct of officers and men, more particularly of Captain Lawrence, 7th Light Cavalry; of Lieutenant Cameron, Her Majesty's 13th Dragoons, and of Cader Hoossein, subadar, 7th Light Cavalry.

I beg also to report that Captain Pears, the Commanding Engineer, was with me the whole time, and that Lieutenant Ouchterlony, of the Engineers, in a personal encounter with some of the enemy, has been severely wounded.

A number of elephants, horses, treasure, and other property have been captured, a list of which I shall do myself the honour to forward as soon as the committee now sitting closes its proceedings. A return of killed and wounded is herewith enclosed.

RETURN of CASUALTIES of the Detachment of the FIELD FORCE under the Command of Lieutenant Colonel *Archibald Dyce*, at the Village of *Zorapore*, on the 18th day of October 1839.

Killed.

Her Majesty's 39th Regiment.—1 Lieutenant, 1 Serjeant, and 1 Private (European).

34th Regiment Light Infantry.—1 Sepoy.

Total killed.—1 Lieutenant, 1 Serjeant, 1 Private (European) and 1 Sepoy.

Wounded.

Engineers.—1 Lieutenant.

Artillery.—3 Sepoys, 1 horse, and 1 bullock.

Her Majesty's 39th Regiment.—1 Lieutenant Colonel and 8 Privates (European).

34th Regiment Light Infantry.—1 Lieutenant, 1 Jemadar, 1 Naique, and 7 Sepoys.

Total wounded.—1 Lieutenant Colonel, 2 Lieutenants, 1 Jemadar, 1 Naique, 8 Privates (European), 10 Sepoys, 1 horse, and 1 bullock.

Missing.

Her Majesty's 13th Light Dragoons.—1 Private (European).*

Total killed, wounded, and missing.—1 Lieutenant Colonel, 3 Lieutenants, 1 Jemadar, 1 Serjeant, 1 Naique, 10 Privates (European), 11 Sepoys, 1 horse, and 1 bullock.

Officers' Names.

Killed.—Lieutenant Thomas White, Her Majesty's 39th Regiment.

Wounded.—Lieutenant Colonel Thomas E. Wright, Her Majesty's 39th Regiment, dangerously; Lieutenant Edmund John Yates, of the 34th Regiment Light Infantry, severely and dangerously wounded, since dead; Lieutenant John Ouchterlony, of the Engineers, severely wounded; Jemadar Sevonundum, of the 34th Regiment Light Infantry, slightly wounded.

(signed) *A. B. Dyce*, Lieut. Col.,
Comdg. Detcht. Field Force.

* Drowned in the Toombudrah.

(Political.—No. 103.)

The Secretary of State for India to the Governor General of India in Council.

India Office, 31 May 1867.

Para. 1. I HAVE to acknowledge the receipt of your Excellency's letters of the 14th February, No. 30, and 9th of April, No. 67, of 1867, forwarding correspondence relative to a proposition by which his Highness the Nizam desired to obtain restoration of those districts in Berar which are at present held by the British Government in trust for the payment of the Hyderabad Contingent, and the other charges specified in Article 6 of the Treaty of 1860.

2. You have shown that the debts which the Hyderabad Durbar alleges to be due from the British Government to his Highness the Nizam, and which his Highness alleges as a ground for his present application, have no existence. I entirely concur in your reasoning upon this point.

3. As regards the claim set up by the Nizam, to share equally with the British Government in the expected lapse of the Mysore State, while Her Majesty's Government cannot admit that the Nizam has any reversionary rights in the Mysore territory, it is at present sufficient to observe that the claim put forward by Sir Salar Jung is founded upon an hypothesis which is incorrect, and it is wholly unnecessary therefore to enter upon any discussion of it.

I have &c.

(signed) *Stafford H. Northcote.*

EXTRACT from Colonel Davidson's Administration Report for 1860-61.

SECTION VIII.—POLITICAL.

71. WITH a view to simplify the arrangements of the two Governments, to determine certain matters not dealt with in the Treaty of 1853, and to give all possible solemnity to certain acts, marking the high esteem in which his Highness the Nizam is held by Her Majesty the Queen, modifications of that Treaty to the following purport, agreed upon between the Viceroy and Governor General on behalf of Her Majesty, and the Nawab Ufzul-ood-Dowlah Asoph Jah Bahadoor, were ratified by his Excellency the Viceroy and Governor General on the 31st day of December 1860.

72. The territory of Shorapore was ceded in full sovereignty to his Highness the Nizam; the debt due by his Highness to the British Government, amounting to almost (50) fifty lakhs of Hyderabad rupees, was cancelled; all account of the receipts and expenditure of the assigned districts, for the past, present or future, his Highness agreed to forego; but the British Government, on their part, stipulated to pay to his Highness any surplus revenue that may hereafter accrue after defraying the expenses of the Hyderabad Contingent and of other charges guaranteed under the Treaty of 1853, together with all future cost of administration, the amount of such cost being entirely at the discretion of the British Government.

73. To provide for these payments, such additional districts, adjoining those already assigned to us in Berar, as would suffice to make up a present annual gross revenue of 32 lakhs of rupees, British currency, were to be held in trust by the British Government; all the districts in excess of this assignment hitherto administered by us in the Raichore Doab and on the western frontier of the Nizam's dominions, being restored to his Highness.

74. The

74. The estimated financial result of this arrangement is as follows:—

					Annual Revenue. British Currency Rupees.
DISTRICTS RESTORED to his Highness the NIZAM :					
					<i>Rs.</i> <i>a.</i> <i>p.</i>
Dharaseo Districts, exclusive of village expenses	-	-	-	-	8,10,861 14 11
Raichore Doab - - ditto - - ditto	-	-	-	-	13,25,901 3 4
Shorapore Territory - ditto - - ditto	-	-	-	-	3,20,177 1 7
TOTAL - - - <i>Rs.</i>					24,56,940 3 10
Deduct 12½ per cent. allowed by the Native Government for management of their Districts - - - - - - -					3,07,117 8 6
Net Revenue - - - <i>Rs.</i>					21,49,822 11 4
DISTRICTS RECEIVED from his Highness the NIZAM :					
					<i>Rs.</i> <i>a.</i> <i>p.</i>
Crown Lands and other Territory in East Berar	-	-	-	-	4,86,089 - 8
Ditto - - - ditto - - - West Berar	-	-	-	-	1,68,969 11 3
Districts on the Paen Gunga River - - -	-	-	-	-	1,65,775 1 1
					8,20,833 13 5
Net Increase to his Higghness the Nizam's Annual Revenue - <i>Rs.</i>					13,18,988 13 11
Or, in Hyderabad currency (at 21 per cent.) - - - <i>Rs.</i>					16,08,076 8 6

75. Thus, besides the remission of the debt due to the British Government, amounting to about 50 lakhs of Hyderabad rupees, the restoration of these districts benefits his Highness by more than 16 lakhs of Hyderabad rupees per annum.

76. The liberality thus manifested towards his Highness the Nizam induced the expectation that, retaining the titular sovereignty of the Berar provinces, his Highness would readily concede to the British Government an unreserved control over the revenues then or thereafter to be derived from them. But the Nizam's apprehensions that, by renouncing all claim to any surplus revenue that might accrue, he would be virtually relinquishing all his rights to these districts, and be regarded by his subjects and the surrounding States as having alienated in perpetuity the fairest portion of his ancestral dominions, rendered the proposition so evidently distasteful to his Highness that it was withdrawn.

77. The administration of the Berar districts by the Nagpore Commission presented advantages of economy and convenience, should our Government obtain the surplus, and this was consequently a measure which the British Government were desirous to effect. But on this point his Highness the Nizam was, perhaps more than on any other, inflexible. He chafed at the idea of these provinces being annexed to a Mahratta State (though under British rule) from which his ancestors had wrested them after years of contention. The hereditary hatred, the implacable mistrust and jealousy which have so long existed between the Mahomedan and the Mahratta, are strong as ever at the Hyderabad Durbar. His Highness also urged that while his districts were administered by the British Resident at Hyderabad, they were administered by an officer of his own court, with whom he had constant opportunities of communication, and with whom he could advise or remonstrate; that his honour and dignity as a sovereign were thus not only preserved in reality, but remained unimpaired in the estimation of both friends and enemies. Many other arguments were also advanced, especially the views of his late father when urged upon this point during the negotiation of 1853, and his Highness's objections to this proposal were also acquiesced in.

78. While these concessions and restoration of territory have been gratifying to his Highness the Nizam, the British Government have derived no inconsiderable advantages from the recent arrangements. The inconvenient strip of

land belonging to the Nizam on the left bank of the Godavery and its confluent, containing the talooks of Sironcha, Albaca, Cherla, Rackapully, and Budrachullum, so necessary to us to secure the uninterrupted control of the hydraulic works on the Godavery, has been ceded to the British Government in perpetuity.

79. The navigation of the Godavery to its junction with the Pranheeta, and of the Wurdah and Pranheeta rivers, has been declared free, and all transit and customs duties have been abolished.

80. Land in the Raichore Doab for the railway and Madras Irrigation Company has been guaranteed, and the Hyderabad Durbar have stated that they will be prepared to give land elsewhere in the Hyderabad territory for similar purposes.

81. The Minister Salar Jung has recently placed 5,000 rupees at the disposal of the Great Peninsular Railway Company for the survey of a line of rail between Sholapoor and Hyderabad.

82. Magisterial powers within the railway fences have been conferred by the Hyderabad Government on British officers residing within their territory.

EAST INDIA (CESSION OF BERAR).

COPIES of CORRESPONDENCE which has passed since the Year 1865 between the Nizam's Government and the Indian Government on the subject of the Cession of BERAR; and, of the Political Section of the ADMINISTRATION REPORTS for 1861 and 1862, made by Colonel Davidson, Resident at Hyderabad.

(*Mr. Stappole.*)

*Ordered, by The House of Commons, to be Printed,
3 December 1867.*

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EAST INDIA (BOMBAY BANKS).

RETURN to an Address of the Honourable The House of Commons,
dated 21 February 1868 ;—for,

“ COPY or EXTRACTS of CORRESPONDENCE between the Secretary of State
for India and the Bombay Government, connected with the Liquidation
of the OLD and the Reconstruction of the NEW BANK of BOMBAY.”

India Office, }
28 February 1868. }

T. L. SECCOMBE,
Financial Secretary.

(*Mr. Nicol.*)

Ordered, by The House of Commons, to be Printed,
9 March 1868.

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COPY or EXTRACTS of CORRESPONDENCE between the Secretary of State for India and the Governments of India and Bombay connected with the Liquidation of the OLD and the Reconstruction of the NEW BANK of BOMBAY.

(Financial.—No. 42.)

To His Excellency the Right Honourable the Governor in Council, Bombay.

Sir,

India Office, London, 2 June 1865.

1. I FORWARD herewith copy of a letter from the manager of the Agra and Masterman's Bank, relative to advances stated to have been made by the Bank of Bombay on shares of certain joint-stock companies which are not guaranteed by Government.

2. I observe, on reference to the charters of the banks at the three Presidencies, that although the banks of Bengal and Madras have not the power to make advances of that nature, the Bank of Bombay has been empowered to advance or lend money on the shares "of public companies in India," irrespective of any Government guarantee.

3. I see no ground on which powers which have not been granted to the banks of Bengal and Madras should be conceded to the Bank of Bombay.

4. You will therefore take the earliest opportunity of restricting that bank to the same business authorised to be transacted by the banks of Bengal and Madras; and, in the meantime, measures should be adopted to check, as far as possible, by means of the directors appointed by you, advances of the nature referred to.

I have, &c.
(signed) C. Wood.

The Agra and Masterman's Bank (Limited),
Nicholas-lane, Lombard-street,
London, 15 May 1865.

Sir,

I am ordered by the court of directors to acquaint you that they have received advice from the manager of the branch of this bank in Bombay, that the Bank of Bombay has resolved to make advances on the deposit of shares in the Back Bay Reclamation Scheme, and on shares in other joint stock companies.

The Back Bay Reclamation Scheme is so notorious, that I need only say the present nominal value of each share is 30,000 rupees, of which 5,000 rupees have actually been paid up, and the remainder, or 25,000 rupees, is premium thereon.

It is alleged that the Bank of Bombay intend to advance at the rate of 25,000 rupees per share.

According to the charter of the Bank of Bombay, the Governor in Council is empowered to nominate (and remove from time to time) three directors to superintend that institution.

The Bank of Bombay is entrusted with the agency of the currency circulation, and with the custody of Government funds.

The directors apprehend that the Bank of Bombay has exceeded the powers conferred by the charter in making the advances I have described, and they deem it their duty to bring the matter to your notice.

I have, &c.
(signed) W. Balfour,
General Manager.

The Right Hon. Sir Charles Wood, Bart., M.P.,
Secretary of State for India.

(Financial Department.—No. 110 of 1865.)

To the Right Honourable Sir *Charles Wood*, Bart., M.P., Secretary of State for India.

Sir,

Simla, 1 July 1865.

WE have the honour to report that, on the receipt of a telegram from Sir Bartle Frere to his Excellency the Governor General, dated 15th June, stating the great danger of the Bank of Bombay suspending payment in consequence of the rapid withdrawal of deposits, unless immediately supported by Government, we communicated a reply by telegram to the Governor of Bombay, authorising him to use his discretion, and that he would be supported by this Government. His Excellency was also requested to keep us informed of the progress of affairs.

2. We formed this decision without loss of time, in the hope that by thus promptly and decidedly supporting the bank at the commencement of their difficulties, public confidence would be restored, and those disastrous consequences averted which would have inevitably followed any continuation of the panic in Bombay, and which, in all probability, would have extended to other parts of India.

3. We are not in possession of any further official information on the subject, but we regret there are grounds for believing that the present precarious position of the Bombay Bank is owing to the mismanagement of the bank's affairs by the bank directors.

4. We append a copy of a letter we have addressed the Government of Bombay on this matter, and we are awaiting a reply to a telegram desiring to be informed, as soon as possible, of the quality of the outstanding bills, the aggregate amount of those which are considered unquestionable, and also the character of the securities which the bank holds for the loans.

We have, &c.

(signed) *John Lawrence.*
W. R. Mansfield.
W. Grey.
G. N. Taylor.
W. R. Massey.
H. M. Durand.

(Financial Department.—No. 958)

To the Secretary to the Government of Bombay, Revenue Department.

Sir,

THE attention of the Governor General in Council having been lately drawn to the state of the affairs of the Bombay Bank, I am directed to request that, with the permission of his Excellency the Governor, a full report may be furnished as soon as possible on this subject.

2. The chief points on which information is desired are the precise position of the bank in regard to its assets and liabilities; what have been the losses of the bank since the commencement of the present commercial crisis; what is the present amount of overdue bills; what proportion of their amount may be fairly expected to be realised, and what are the prospects of the bank with reference to the bills which have yet to run.

3. The report should also state whether the provisions of the bank charter have been duly observed, and at what rates advances have been generally made in shares of public companies, whether they were made on shares at the market price of the day, or at a par value of the shares, or at any fixed rate below that amount. The Governor General in Council would hope that no loans have been made on the stock of public companies beyond par value of such stock.

4. If the provisions of bank charter, as defined in Act X. of 1863, have been departed from, his Excellency the Governor General in Council desires to know whether the Government Directors gave their assent to this departure; and if not, whether any representations were made by them on the subject to Government.

5. In the former case the Government Directors should be called to submit an explanation of their proceedings, copies of which should form enclosures of the report.

6. I am to request that information on the points above referred may be furnished as soon as it can be obtained.

I have, &c.

(signed) *E. H. Lushington,*
 Secretary to the Government of India.

Simla, 22 June 1865.

(Financial Department.—No. 12 of 1865.)

To Her Majesty's Principal Secretary of State for India in Council, London.

Right Honourable Sir,

Bombay Castle, 8 July 1865.

IN reply to your Financial Despatch, No. 42, of the 2nd June last, we have the honour to annex a letter* from the Government Directors of the Bank of Bombay, containing the information you require regarding the advances made by the bank on the shares of joint-stock companies not guaranteed by Government. * Dated 30 June 1865.

2. A note† showing the latest market value of the securities referred to is also annexed. There can be little doubt that their value will speedily improve, but to what extent no judgment can be formed till the present crisis is over.

3. The expectation that the bank will not ultimately lose much on these shares of course does not remove the objections to such advances by the bank against any repetition of which the Government Directors will be on their guard. And you will see from our instructions‡ to them, of which a copy is annexed, that we propose to provide, by legislation, with a view to restrict the bank from making such advances in future. ‡ Letter, dated 29 June, No. 572 of 1865.

4. You will observe that the current rumours as to the extent of advances on Back Bay shares were much exaggerated.

5. We will reserve our opinion as to the conduct of the elected directors of the bank till we are in possession of the more complete information regarding the management of the bank during the past year, which we expect will be supplied by the promised report of the Government Directors, merely observing at present that we do not find any evidence of undue favour shown to any particular interest in making these advances.

6. It is but justice to the present Government Directors, Messrs. Chapman and Lushington, to note that they joined the bank direction only on the 8th March 1865, and that they were naturally at first obliged to rely much on the judgment and experience of their elected colleagues; we have reason to believe that they took an early opportunity of giving the weight of their influence at the Board of Directors to support the more prudent procedure which has lately characterised the management of the bank.

7. We would take this opportunity of requesting your reconsideration of the orders noted in the margin,§ which require that the directors nominated by Government should not hold shares in the bank on their own account.

8. We are not insensible to the force of the reasons which led to this restriction being imposed, but they seem to us of minor weight when compared with the practical inconvenience of disqualifying those who would naturally have most interest in the bank, and would be most likely to have some knowledge of its affairs. Very limited as the range of our selection necessarily is, we find that the rule often excludes some of the few Government servants at the Presidency who we should expect would make efficient directors.

9. With regard to the general position of the bank, you are aware that during the past month much anxiety has been felt for its stability, and on the 15th ultimo we felt it our duty, in consequence of the strong representations made to us by the directors, to address a telegram|| to the Government of India, of which a copy is annexed; the reply¶ of the Government of India, of which a copy is also among the enclosures, authorised us to use our discretion in supporting the bank, and the knowledge that Government was ready to come forward in case of need, was sufficient, as the directors had expected, to restore confidence, without the necessity of any extraordinary measure of Government support. The position of the bank has since gradually improved, and there seems no longer any cause for || Dated 15 June 1865.
¶ Dated 16 June 1865.

† Vide margin of para. 4 of the letter from the Government Directors of the Bank of Bombay, dated 30th June 1865.

§ Financial Despatch from the Secretary of State for India, No. 107, dated 16th October 1863.

for anxiety regarding it. The inquiries we have instituted will, we expect, show how far the threatened difficulties of the bank were due to want of good management, and how far to the unavoidable circumstances of the extraordinary crisis through which Bombay is now passing.

10. At present all monetary affairs in Bombay are in such an uncertain state that it is not likely the Government Directors will be able, for another fortnight or three weeks, to form any reliable estimate as to the probable ultimate losses which will fall on the bank. The first of July was the day fixed for the settlement of a great number of time-bargains, and it is now possible for commercial men to estimate the liabilities of themselves and their constituents, which was hopeless, while the result of purely gambling transactions, which have of late absorbed the attention of a great majority of the mercantile community in Bombay, was uncertain.

We have, &c.
(signed) *H. B. E. Frere.*
B. H. Ellis.

COPY of a TELEGRAM from Sir *Bartle Frere* to his Excellency the Viceroy, dated 15th June 1865.

"Clear the line, June 15th. Severe commercial crisis in Bombay. Run on bank commencing. Bank return of cash and notes lower than safety requires, and rapidly diminishing by withdrawing of deposits. Directors state great danger of bank suspending payment, unless immediately supported by Government. May this Government advance to extent of One hundred and fifty lacs from currency reserve, if necessary? I do not wish to devolve responsibility on Government of India; but to secure any measures this Government may take from being unexpectedly reversed, and thus making matters worse. I wrote fully on 10th, and again to-day; but unless you telegraph immediately authority to this Government to act if necessary, it may be too late to avert disaster, financial and political, more extensive than mere stopping of bank. Please reply by cypher."

COPY of a TELEGRAM from his Excellency the Viceroy to Sir *Bartle Frere*, dated 16th June 1865.

"YOUR telegram of yesterday received. A reply will be sent in a few hours after the Council have met."

COPY of a TELEGRAM from the Financial Secretary to the Government of India to Sir *Bartle Frere*, dated 16th June 1865.

"WITH reference to your telegram of yesterday in cypher, use your discretion; you will be supported. Keep us informed of the progress of affairs."

(Financial Department.—No. 572 of 1865.)

To *F. S. Chapman*, Esq., and *J. L. Lushington*, Esq., Government Directors of the Bank of Bombay.

Gentlemen,

Bombay Castle, 29 June 1865.

I AM directed by his Excellency the Governor in Council to request that you will draw up, for submission to the Government of India and Her Majesty's Principal Secretary of State, a confidential report on the present state of the Bank of Bombay, with special reference to the causes which have induced the present difficulties of the bank, and which are said to leave little hope of a dividend to the shareholders for some time to come.

2. You are requested especially to note the changes in the direction and secretary's office, and the period when any changes of system or management took place.

3. This is necessary in justice to your predecessors as well as to yourselves. In the public criticisms on the bank's management which have been published, the difficulties of the bank have been laid, to no inconsiderable extent, at the door of the former Government Directors, and two of them (Messrs. Birch and G. Inverarity) have been denounced by name as "arch speculators" in shares.

4. It is only just to the Government directors of past years to show under whose management the mistakes, if any, were committed, which have injured the bank.

5. Your

5. Your report should notice whether there are any, and what, differences between the charters of the three Government banks in India, and whether any change in these respects is advisable, as regards the charter of the Bombay Bank.

I have, &c.
(signed) *F. S. Chapman*,
Chief Secretary to Government.

From *J. L. Lushington*, Esq., and *F. S. Chapman*, Esq., Government Directors of the Bank of Bombay, to *F. S. Chapman*, Esq., Chief Secretary to Government Financial Department.

Sir,

Bombay, 30 June 1865.

IN reply to your endorsement, No. 583, of this day's date, forwarding for our information, and for any observations we may wish to offer, a copy of a Despatch from Her Majesty's Principal Secretary of State, regarding the advances made by the Bank of Bombay on shares of certain joint-stock companies, we have the honour to submit the following explanations:—

2. The resolution authorising the adoption of the measure in question was passed on the 12th April last, and was to the following effect:—

"Resolved that the secretary be authorised, at his discretion, to advance on the shares of the under-noted companies, to the extent of the amount marked opposite each. Shares so deposited are not to be transferred to the bank, but the certificates to be accompanied by blank transfers signed by the transferers.

"Bank of Bengal, paid up, 8,000 rupees; present market rate, 16,000 rupees, premium, old and new shares. Advance 6,500 rupees on each share.

"Bank of Madras, paid up 1,000 rupees; ditto 123 per cent. Advance 75 per cent. premium.

"Agra Bank, paid up 500 rupees; 160 per cent. Advance 100 per cent. premium.

"Asiatic Bank, paid up 200 rupees; 105 per cent. Advance 75 per cent. premium.

"Oriental Bank Corporation, paid up 250 rupees; 170 per cent. Advance 125 per cent. premium.

"Commercial Bank Company, paid up 250 rupees; 75 per cent. Advance 50 per cent. premium.

"Bombay Reclamation Company, 5,000 rupees; 30,000 rupees premium. Advance 20,000 rupees premium.

"Elphinstone Land Press Company, 1,000 rupees; 1,450 rupees premium. Advance 1,000 rupees premium.

"In granting such advances the secretary will, in all cases, intimate and insert in the bond that, should the shares deposited be depreciated in value during the currency of the loans, the security must be increased, or a partial payment made to reduce the debts. One per cent. above regular rate to be charged on such advances; and it is to be distinctly understood that such advances are only to be granted to first-class applicants."

3. On the above date the bank's balance stood as follows:—

	<i>Rs.</i>
Cash and currency notes at head office - - -	2,06,09,357
Ditto - - ditto at branches - - -	85,00,246
	<u>Rs. 2,91,09,603</u>

Taking into consideration that the above large amount was lying idle, and that there was much demand for what then appeared to be only temporary accommodation, the directors (ourselves included) agreed to make these advances, subject to the conditions above enumerated; and in doing so they have not, it is admitted, exceeded the powers of their charter. There was a slight difference of opinion as to the rate at which the land shares should be valued; but, as is customary, the point was carried by the majority.

4. The directors considered that the above measure would entail little or no risk, and would afford much relief at a time of considerable pressure. A total sum of 41,70,800 rupees was advanced on the security of the following shares:—

	<i>Rs.</i>	
39 Back Bay shares, value at par - -	1,95,000	<i>Note.</i> —Present market rate: Back Bay, 7,000 rupees premium. Elphinstone 700 " 5 to 10 " per cent. " premium. Commercial 5 per cent. discount.
936 Elphinstone Land ditto, value at par - -	9,36,000	
905 Asiatic Bank - ditto - -	2,26,550	
3,580 Commercial Bank ditto - -	8,95,000	
	<u>Rs. 22,52,550</u>	

H. E. Jacomb,
Officiating Under Secretary
to Government.

8 July 1865.

The above shares were taken as collateral security. Even in the present depressed state of the market, those of both the land companies are considerably above par, the Back Bay's being quoted at about 100, and the Elphinstone's at 50 per cent. premium on

the paid-up capital. All advances of this description have, for some time past, been discontinued.

5. Pending an alteration in the charter, steps will be taken to make known to our colleagues in the direction the wishes of the Secretary of State; and we have no hesitation in saying that they will willingly assent to be placed in all respects on the same footing as the Banks of Bengal and Madras.

We have, &c.
(signed) *J. L. Lushington.*
F. S. Chapman.

(Financial, No. 213.)

To His Excellency the Right Honourable the Governor General of India in Council.

Sir, India Office, London, 8 September 1865.

1. I HAVE considered in Council your financial letter, dated the 1st July last, No. 110, relative to the circumstances under which you authorised the Government of Bombay to render pecuniary aid to the bank at that Presidency.

2. The Government of Bombay had previously reported to me the circumstances which had induced them to request your assent to their assisting the bank; and I forward herewith, for your information, copy of a financial Despatch to the Government of Bombay conveying the opinions and instructions of Her Majesty's Government in reference thereto.

3. It is only necessary for me further to request that you will inform me what number of shares you consider it would be expedient to fix as the limit to be held by a Government director of the Banks of Bengal, Madras, and Bombay respectively.

I have, &c.
(signed) *C. Wood.*

(Financial, No. 71.)

To His Excellency the Honourable the Governor in Council, Bombay.

Sir, India Office, London, 8 September 1865.

Para. 1. I HAVE considered in Council your financial letter, dated the 8th July last, No. 12, which forwarded, in reply to the inquiry contained in my financial Despatch of the 2nd June last, information regarding the advances made by the Bank of Bombay on shares of certain joint-stock companies not guaranteed by Government.

2. From the explanation of the Government directors of the bank, it appears that, on the 12th April last, when the cash and currency notes at the head office and branches amounted to 2,91,09,603 rupees, and "there was much demand for what then appeared to be only temporary accommodation," the directors authorised the secretary of the bank, at his discretion, to make advances on shares of the under-mentioned companies, at the rates specified.

	Paid up.	Market Rate, 12th April.	Authorised to advance on each Share.
	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>
Bank of Bengal -	8,000	16,000 premium -	6,500
" Madras -	1,000	123 per cent. premium -	75 per cent. premium
Agra Bank -	500	160 " " -	100 " "
Asiatic Bank -	200	105 " " -	75 " "
Oriental Bank Corporation. ••	250	170 " " -	125 " "
Commercial Bank Company.	250	75 " " -	50 " "
Bombay Reclamation Company.	5,000	30,000 premium -	20,000 premium.
Elphinstone Land Company.	1,000	1,450 " -	1,000 "

3. A total sum of 41,70,800 rupees was accordingly advanced on the security of the following shares :

	Value at Par.
	<i>Rs.</i>
39 Back Bay shares - - - - -	1,95,000
936 Elphinstone Land ditto - - - - -	9,36,000
905 Asiatic Bank ditto - - - - -	2,26,550
3,580 Commercial Bank ditto - - - - -	8,95,000
<i>Rs.</i>	22,52,550

The amount advanced on those shares was, therefore, nearly double the value of the shares at par ; and at the date of your Despatch, the Back Bay shares were at a premium of only 7,000 rupees, the Elphinstone Land Company of 700 rupees, and the Asiatic Bank of 5 rupees to 10 rupees per cent. premium, while the Commercial Bank shares were at 5 per cent. discount.

4. I am sorry to learn that the proceedings of the bank were concurred in by Messrs. Chapman and Lushington, the Government directors. In regard to their conduct, you observe, that they only joined the bank direction on the 8th March 1865, that they were naturally at first obliged to rely on the judgment and experience of their elected colleagues, but that they took an early opportunity of giving the weight of their influence to support the more prudent proceedings which have lately characterised the management of the bank. This explanation in some degree accounts for the apparent want of caution on the part of the Government directors.

5. The mere statement of these proceedings of the bank is sufficient to show how unjustifiable they were, and you very properly remark that the expectation expressed, that the bank will not ultimately lose much on the advances in question, even if it should be realised, does not in the least remove the objections to the course which was pursued.

6. It is quite clear that, if any connection is to be maintained in future between the Government and the Bank of Bombay, effective measures must be taken for guarding against any similar proceedings, and against any call being hereafter made for aid from Government.

7. Since the transfer of the Government balances at Bombay to the custody of the bank, the only monies at the command of the Government are the balances at the other treasuries in your Presidency ; and they could hardly be of sufficient amount, or be so readily available, as to be adequate for giving assistance to the bank. It follows, therefore, that the only direct and immediate aid which your Government could give, would be by applying for such purpose part of the currency reserve, and it was from this source that you proposed to the Government of India to render aid to the bank.

8. The objections to using any portion of that reserve for any such purpose can scarcely be exaggerated. It would, in the first place, be illegal, and even if this were not the case, the same state of things which led to the pressure on the bank, might not, improbably, lead to a demand upon the currency department for coin for notes, and the means of meeting that demand would have been taken away by the advances to the bank.

9. It is impossible to sanction for the future any proceeding which might lead to such a result, and it is necessary, therefore, to consider the best means of guarding against the recurrence of a similar emergency.

10. To some extent this object may be effected by such an alteration of the charter of the Bank of Bombay as will preclude their making advances on the security of public companies not guaranteed by Government. The Banks of Bengal and Madras are at present precluded from making such advances, and that power ought not to have been conceded in the new charter of the Bank of Bombay. You will, therefore, take measures for making the necessary change in the powers of the bank.

11. But as mismanagement may take place in other modes the best security after all must be in the discretion of the directors of the bank, and they must be made clearly to understand that they are not, in future, to reckon on any extraordinary assistance or support from the Government. It will be necessary, therefore, to impress on them generally the necessity of prudence in the management of the concerns of the bank, in which the Government is interested to so large an extent. But, above all, it should be the care of the Government directors to watch very closely the proceedings of the bank, in order, so far as their influence extends, to prevent any repetition of imprudent management, and any disposition on the part of their colleagues to depart from sound principles should be forthwith communicated to you, in order that you may take such measures as may seem to you to be necessary in reference thereto.

12. It is obviously of the greatest importance to have Government directors of sound judgment, and with a general acquaintance with matters of this kind; and as you state that the existing restriction as to the Government directors holding shares in the bank materially narrows your field of selection, I shall not object to a change being made in the regulation in this respect, so as to allow of their holding shares to a limited amount. The same rule must, of course, be made applicable to Government directors of the Banks of Bengal and Madras, and the amount of shares to be allowed to be held must be determined in correspondence with the Government of India, to whom I shall make a communication on the subject.

I have, &c.
(signed) C. Wood.

(Financial Department.—No. 12 of 1866).

To the Right Honourable Sir *Charles Wood*, Bart., M.P., Secretary of State
for India.

Sir,

Fort William, 20 January 1866.

WE have the honour to forward, for your information, a copy of the papers noted in the subjoined list, regarding the proceedings of the Bank of Bombay during the late financial pressure and commercial difficulties in that city.

We have, &c.
(signed) *John Lawrence.*
W. R. Mansfield.
H. S. Maine.
W. Grey.
G. N. Taylor.
W. N. Massey.
H. M. Durand.

LIST OF PAPERS.

Letter to the Secretary to the Government of Bombay, No. 161, dated 13th January 1866.
Letter to ditto, No. 262, dated 17th ditto.

(No. 161.)

From *E. H. Lushington*, Esq., Secretary to the Government of India, to the Secretary to the Government of Bombay.

Sir,

Financial Department,
Fort William, 13 January 1866.

THE frequent recurrence of financial pressure and commercial difficulties in the City of Bombay, has engaged the serious and anxious attention of the Governor General in Council. The repeated and urgent demands for relief to the Treasury and Currency Departments of the Presidency, occasioned by monetary convulsions, have not been met by the Government of India without much difficulty and inconvenience; and such has been
on

on more than one occasion the magnitude and suddenness of the exigency, that the Governor General in Council has not been without apprehensions that it might be beyond control.

2. The Council for making Laws and Regulations have, at the instance of the Government, passed an Act to repeal that part of the Paper Currency Act which makes it obligatory on the Currency Department to cash mint certificates at sight. This measure, which has been long in contemplation, will effectually protect the reserve of coin in the Currency Department from demands to which it can no longer be exposed with safety to the public credit.

3. On each of the occasions above referred to, the Bank of Bombay, so far from being in a condition to afford the aid which might reasonably have been expected from an establishment which held the Treasury Balances, was itself in circumstances of embarrassment, and in the summer of last year was only saved from imminent danger by the prompt interposition of the Government.

4. The Governor General in Council, in giving sanction to the exceptional support thus accorded by the Government of Bombay, was actuated by the consideration of the novel and extraordinary impulse imparted to commercial enterprise during the preceding year, and of the confusion which had arisen from the sudden cessation and collapse of speculations which had been entered into without regard either to commercial prudence or responsibility. Under these circumstances, the Governor General in Council urged upon the Government of Bombay the expediency of immediately instituting an investigation into the affairs of the bank, in my letter, No. 958, dated 22nd June last.

5. But as the Government of India was subsequently assured, from a copy of a Despatch addressed by your Government to the Secretary of State, No. 12, dated 8th July 1865, forwarded with your letter, No. 619, dated 10th July, that the liabilities of the bank, though unusually large, were not likely to result in heavy loss, and that its difficulties were for the most part of a temporary character, his Excellency in Council was unwilling to press for an immediate inquiry, which might have given rise to unfounded alarm, and impaired the credit of the establishment. Six months have now elapsed since the critical state of the bank called for the assistance of this Government as before mentioned, yet no substantial improvement seems to have taken place, either in the condition of its affairs or its management.

6. Notwithstanding the great demand in Bombay for money since October last, the bank has not only omitted to gather up its resources, but has, on several occasions, and up to a period of which we have the most recent information, reduced its available balances in Bombay by the purchase of bills on Calcutta.

7. In addition to the want of prudence which has apparently marked these proceedings, it would seem that the bank has failed to observe the fifth clause of their Agreement.

8. The average monthly Government Balances in the general Treasury at Bombay have, with the exception of the month of August, for the last six months been considerably in excess of the maximum of 40 lakhs, and all sums in excess of that amount "are required to be set aside in cash, to be kept in reserve in a separate cash room on account of the Government of Bombay." This does not appear to have been done. See Clause 5 of the Agreement.

9. The Governor General in Council has further to observe, that, on the 21st December, the Accountant General reported by telegram that, though there were nominally 60 lakhs of rupees in the Treasury, the total amount of whole rupees in the bank, including those belonging to Government, was only 6½ lakhs; the remainder consisting of gold, notes, and small silver.

10. On a full consideration of all these circumstances, and with special advertence to the Secretary of State's Financial Despatch of 2nd June, addressed to your Government, the Governor General in Council is of opinion that an examination into the affairs of the bank should no longer be delayed, with a view to such a revision of the terms upon which its business has been, and is conducted, as may seem expedient. The Governor General in Council considers that the examination should comprise an investigation not only into the assets and floating liabilities of the bank, but into its transactions especially during the past six months.

11. In conclusion, his Excellency in Council hopes that a full report on the several matters above referred to will be furnished by your Government without unnecessary delay.

I have, &c.
(signed) *E. H. Lushington,*
Secretary to the Government of India.

(Financial Department.—No. 262.)

From *E. H. Lushington*, Esq., Secretary to the Government of India, Financial Department, to the Secretary to the Government of Bombay.

Sir,

Fort William, 17 January 1866.

WITH reference to my letter, No. 161, dated the 13th instant, calling for a report on the liabilities and management of the Bank of Bombay, I am desired to offer the following remarks on the part taken by the Government directors at Calcutta in the management of the affairs of the Bank of Bengal.

2. First, there is the regular weekly committee of the whole Board of Directors for the consideration of the "Rates and Margins," and a general review of the business of the week, together with any important matter the secretary may have to bring forward. Next, there is a committee which meets every day at the bank previous to the commencement of business. This committee consists of one Government and two mercantile directors, who examine the proceedings of the previous day, inspect the lists of loans granted or renewed, and communicate their opinion to the secretary on the several transactions. Besides this careful daily examination of the proceedings of the bank by one Government director in association with two mercantile directors, the secretary and treasurer is in direct, constant, and confidential communication with the secretary to Government as president of the bank on all matters immediately connected with the Government and the bank in which the secretary may think the support and countenance of the president to be desirable.

3. The Government of India again are kept informed of all that may be necessary for them to know regarding the bank through the president of the Board, and through his agency the views of the Government of India in this department are communicated to the Bank of Bengal.

4. I am desired strongly to recommend to his Excellency the Governor the adoption of similar vigilance in regard to the affairs of the Bank of Bombay, and to remark that in the opinion of the Governor General in Council, the pursuance of such a course would effectually check the recurrence of difficulties similar to those under which the Bank of Bombay has been lately struggling. Loans and other banking business would be more cautiously conducted; the purchase of bills on Calcutta would not be sanctioned when, as in a late case, every available rupee in the bank was necessary to meet local demands; and lastly, the interest and control of the local Government in the financial affairs of the Presidency would be advisedly increased to the general advantage of the State.

I have, &c.

(signed) *E. H. Lushington*,
Secretary to the Government of India.

(Financial, No. 65.)

To His Excellency the Right Honourable the Governor General of India in Council.

Sir,

India Office, London, 24 March 1866.

1. I HAVE considered in Council your Financial Letter, dated the 20th January 1866, No. 12, which forwarded copies of the letters sent by your Government to the Government of Bombay, relative to the proceedings of the Bank of Bombay during the late financial difficulties in that city, in which your opinion was expressed that an examination into the affairs of the bank, with a view to a revision of the terms on which its business has been conducted, should no longer be delayed.

2. In Sir Charles Wood's Financial Despatch, dated the 8th September last, No. 71, the attention of the Government of Bombay was directed to the proceedings of the Bank of Bombay, and it was requested that measures might be taken for making such a change in the powers of that bank as would guard against a recurrence of the irregularities which had recently been exhibited in its management.

3. The necessity of taking decided measures for that object is fully apparent, and I shall be anxious to receive, as early as possible, a report as to the measures which the Government of Bombay may propose to adopt, and to be informed of the views of your Government thereon.

I have, &c.

(signed) *De Grey and Ripon*.

(Financial Department.—No. 8 of 1866).

To Her Majesty's Principal Secretary of State for India in Council, London.

Bombay Castle,
13 March 1866.

My Lord,

We have the honour to submit the accompanying copies of Minutes which have been recorded by us on receipt of a letter from the Government of India calling for certain information regarding the management of the Bank of Bombay during the past year, a copy of which letter also we beg herewith to forward.

Minute by His Excellency the Governor, dated 26 January 1866.
P.S. to ditto, dated 17 February 1866.
Minute by the Honourable Mr. Ellis, dated 21 February 1866.
Minute by the Honourable Mr. Erskine, dated 2 March 1866.
Minute by His Excellency the Governor, concurred in by the Honourable Mr. Erskine, dated 2 March 1866.
Minute by the Honourable Mr. Ellis.
Minute by His Excellency the Governor, dated 27 February 1866.
Minute by the Honourable Mr. Erskine, dated 4 March 1866.
Minute by the Honourable Mr. Ellis, dated 5 March 1866.
Minute by the Honourable Mr. Erskine, dated 8 March 1866.
Minute by His Excellency the Governor, dated 9 March 1866.

2. Copies of these Minutes have been sent to the Government of India.

We have, &c.

(signed) *H. B. E. Frere.*
B. H. Ellis.
C. J. Erskine.

(Financial Department.—No. 161.)

To the Secretary to the Government of Bombay.

Sir,

THE frequent recurrence of financial pressure and commercial difficulties in the city of Bombay has engaged the serious and anxious attention of the Governor General in Council. The repeated and urgent demands for relief to the Treasury and Currency Departments of the Presidency, occasioned by monetary convulsions, have not been met by the Government of India without much difficulty and inconvenience; and such has been, on more than one occasion, the magnitude and suddenness of the exigency that the Governor General in Council has not been without apprehensions that it might be beyond control.

2. The Council for making Laws and Regulations have, at the instance of the Government, passed an Act to repeal that part of the Paper Currency Act which makes it obligatory on the Currency Department to cash Mint Certificates at sight. This measure, which has been long in contemplation, will effectually protect the reserve of coin in the Currency Department from demands to which it can no longer be exposed with safety to the public credit.

3. On each of the occasions above referred to, the Bank of Bombay, so far from being in a condition to afford the aid which might reasonably have been expected from an establishment which held the Treasury Balances, was itself in circumstances of embarrassment, and in the summer of last year was only saved from imminent danger by the prompt interposition of the Government.

4. The Governor General in Council, in giving sanction to the exceptional support thus accorded by the Government of Bombay, was actuated by the consideration of the novel and extraordinary impulse imparted to commercial enterprise during the preceding year, and of the confusion which had arisen from the sudden cessation and collapse of speculations which had been entered into without regard either to commercial prudence or responsibility. Under these circumstances, the Governor General in Council urged upon the Government of Bombay the expediency of immediately instituting an investigation into the affairs of the Bank in my letter, No. 958, dated 22nd June last.

5. But as the Government of India was subsequently assured from a copy of a Dispatch addressed by your Government to the Secretary of State, No. 12, dated 8th July 1865, forwarded with your letter, No. 619, dated 10th July, that the liabilities of the Bank, though unusually large, were not likely to result in heavy loss, and that its difficulties were for the most part of a temporary character, his Excellency in Council was unwilling to press for an immediate inquiry, which might have given rise to unfounded alarm, and impaired the credit of the establishment. Six months have now elapsed since the critical state of the Bank called for the assistance of this Government as before mentioned, yet no substantial improvement seems to have taken place, either in the condition of its affairs or its management.

6. Notwithstanding the great demand in Bombay for money since October last, the Bank has not only omitted to gather up its resources, but has on several occasions, and up

to a period of which we have the most recent information, reduced its available balances in Bombay by the purchase of bills on Calcutta.

7. In addition to the want of prudence which has apparently marked these proceedings, it would seem that the Bank has failed to observe the fifth clause of their Agreement.

See Clause 5 of the Agreement.

8. The average monthly Government balances in the General Treasury at Bombay have, with the exception of the month of August, for the last six months been considerably in excess of the maximum of 40 lacs, and all sums in excess of that amount "are required to be set aside in cash, to be kept in reserve in a separate cash room on account of the Government of Bombay." This does not appear to have been done.

9. The Governor General in Council has further to observe, that on the 21st December the Accountant General reported by telegram that, though there were nominally 60 lacs of rupees in the Treasury, the total amount of whole rupees in the Bank, including those belonging to Government, was only 6½ lacs, the remainder consisting of gold, notes, and small silver.

10. On a full consideration of all these circumstances, and with special advertence to the Secretary of State's Financial Dispatch of 2nd June, addressed to your Government, the Governor General in Council is of opinion that an examination into the affairs of the bank should no longer be delayed, with a view to such a revision of the terms upon which its business has been and is conducted as may seem expedient. The Governor General in Council considers that the examination should comprise an investigation not into the assets and floating liabilities of the Bank, but into its transactions, especially during the past six months.

11. In conclusion, his Excellency in Council hopes that a full report on the several matters above referred to will be furnished by your Government without unnecessary delay.

I have, &c.,
(signed) *E. H. Lushington*,
Secretary to the Government of India.

Fort William, 13 January 1866.

MINUTE by His Excellency the Governor, dated 26 January 1866.

A COPY of this letter should be forwarded to the Government Directors of the Bank of Bombay, who should be requested to favour this Government with such remarks on the points touched on by the Government of India as they may think best calculated to afford the Governor General in Council the information which his Excellency seems to require regarding the management of the bank during the past year.

2. But in the mean time I think we should submit to the Government of India that their letter under reply appears to mix up two very distinct occurrences, viz., the crisis of June and that of December.

3. The June crisis was undoubtedly a commercial one, and the bank must be prepared to bear its full share of blame for what then took place. This blame must, however, be to some extent shared by all other banking establishments in Bombay, and indeed by the great majority of the commercial community here.

4. The December crisis, on the other hand, was mainly caused by a sudden return of commercial prosperity, aggravated by the inability of Government to meet the great demand for coined silver. The bank was in no way to blame for the December difficulty. The bank was fully able to meet its own liabilities, and did meet them without help. It was not in a position to afford Government the help that Government needed to cash its own notes. But it is obvious that Government ought not to have needed help.

5. The unusual demand for silver in December appears to have been mainly owing to the following causes:

1st. An alteration in the general system of cotton trade, in consequence of which the cultivators and up-country dealers have this year demanded cash payments, instead of selling their cotton, as formerly, on credit. This alteration of system was sudden, and could not be foreseen; and inasmuch as it is in itself an evidence of the growing prosperity of the cultivator it is matter of congratulation. But its effect upon the money market of Bombay is shown by the fact that in December the demand for coin to be sent up-country reduced the aggregate cash balances of all the banks to the extent of three millions sterling below the amount at which they stood at the same period of the previous year, and that about 1½ million sterling of notes were presented for cash during a few weeks without any symptoms of panic, but simply because coin, and not notes, were wanted up-country.

2nd. An insufficient reserve of coin was kept at Bombay in the Government and Treasury Departments. It will be seen from the annexed statement that the silver coin

coin reserve in the Currency Department, which stood at 189 lacs (1,890,000 £.) in July 1865, had been allowed by 28th December to dwindle down to less than 5½ lacs (55,000 £.), though there were still at that date more than 2½ millions of notes of the circle to be met.

6. Nor was the General Treasury in a position to afford any aid to the Currency Department, as will be seen from the details given in the annexed return, for, though the nominal total balance in the General Treasury on 26th December was 46,73,000 rupees (467,300 £.), only 8,00,000 rupees (80,000 £.) were in coined rupees, the balance being in notes, gold, copper, and small silver coins.

7. The Government of India is aware that ample notice was given to the Financial Department, Calcutta, of this expected drain. But instead of silver coin, which was what was wanted, the Financial Department sent bills which were to be met chiefly by constituents of the Bank of Bombay. It was not to be expected that at such a period the bank would discount these bills on itself. The aid afforded by sending these bills was, in fact, illusory.

8. It is necessary to dwell on these facts, because the remedy referred to in paragraph 2 of the present letter from the Government of India as having been applied by passing the late Act, "to amend the Paper Currency Act," will be of little avail to prevent a recurrence of the danger which we have just escaped, unless the general management of our Currency Department be also improved.

9. I do not wish to discuss this late Act further than is necessary to show its bearing on the present question. But I would submit that the defects in the Paper Currency Act pointed out by the members of the Governor General's council, who spoke during the discussions on the Bill to amend that Act, are not so much defects in the Act itself, as in the late management of the Paper Currency Department.

10. It is quite true, as observed by the Right Honourable Mr. Massey, that he is in no wise responsible for this; but it seems to me clear that the part of the Currency Act of 1861 which has been just amended would have required no amendment whatever, had the power to lock up in Government securities the coin received for currency notes been more sparingly used.

11. It appears by the latest return of the Currency Department we have, dated 2nd January, copy of which is annexed, that while there are less than 740 lacs (7,400,000 £.) of currency notes in circulation, the sum invested in Government securities is close upon the maximum amount permitted by law, *i.e.*, 400 lacs (4,000,000 £.), and that the whole is held in Calcutta.

12. Now, I would submit, there can be no doubt that had this power of investing the coin received in Government securities been more sparingly used, or even had a portion of these securities been held in Bombay, so as to be capable of immediate realisation here, the danger we have just so narrowly escaped of having no coined silver on the spot wherewith to cash notes, would have been averted.

13. It is no answer to this to say that Mr. Wilson proposed to have taken power to hold an even larger proportion of the whole reserve in Government securities, because the question is not one of maximum legal limit, but of prudential use of the legal powers within that limit; and with 7½ millions of Government currency notes in circulation, and with the money market in so excited and exceptional a state, I feel sure Mr. Wilson would never have kept so much as four millions of his reserve in the form of Government securities.

14. These remarks are offered not with a view of finding fault with the past, but to point out a needful caution for the future. I would not, however, be understood as acquiescing in the view which appears to have been taken by the Governor General in Council of that provision of the Currency Act of 1861, which allowed the bullion importer to obtain notes at once for his bullion as soon as it was assayed.

Section 9 of Act XIX. of 1861.

15. This, I know, is esteemed by bullion importers to be a most valuable privilege, and is not compensated for by any promise on the part of Government of due diligence in coining.

16. The mint, like other manufactories, cannot start at once from comparative idleness into a condition of full work, and the bullion importer knows that, however anxious Government may be to let him have coin for his bullion, the time taken in conversion cannot be reduced to a certainty, nor is the time entirely dependent on the will of Government.

17. Hence the bullion importer greatly values the power of obtaining at once for his assayed silver its value in Government currency notes, which are a legal tender.

18. Nor is this privilege one which need embarrass Government if only due caution be used in not locking up too much of the silver coin in Government securities.

19. With all respect for the gentlemen who expressed their opinions on this subject,* the question seems to me to have been treated too much as if it were one of convenience to the bullion importer, and not of general benefit to the public and to Government.

20. It is quite true, as remarked by more than one of the members of the Government of India during the debate, that bullion is nothing more than a commodity like a bale of piece goods, or any other commodity of trade; but bullion was capable of being converted into currency by being exchanged for notes under the old Act as soon as its value could be ascertained by assay, and anything which delays, or renders uncertain this conversion into currency, injures not only the bullion importer, but every branch of commerce and industry. Such delay has in fact, in the case of bullion, exactly the same effect on general commerce, but in much greater degree, as Custom House delays in the case of other imports; and the removal of such delay, though doubtless a boon to the importer, is a still greater boon to the public at large.

21. Nor can I regard the facility which the old Act afforded as one which Government has any right to treat as a favour, or a concession. We have only to keep in hand the silver we have received for the notes as soon as we have coined that silver, and no possible difficulty can be experienced. We may even invest a large proportion in Government securities, provided we do not exceed a reasonable discretion so as to invest too much; but we have no right to talk of the expense to Government caused by the provisions of the old Act, unless the expenses exceed the 20 lacs (200,000 L.) which Government is now saving as interest on the securities purchased with the silver which the bullion importer has given us in return for our paper.

22. Still less would I be understood as in any way acquiescing in any observations made by members of the Governor General's Council which imply an opinion that the Paper Currency Act is in any way a failure. There must, I think, have been some extraordinary mistake in the returns which were laid before the Council as bearing on this point; for I see that his Excellency the Commander-in-Chief referred to them as showing that the note circulation in the "outer circles of currency" did not reach 7 lacs (70,000 L.), while in the "presidency towns" it was 7½ crores (7,500,000 L.), but, as will be seen by reference to the statement given above, which is taken from the same gazette as that which reported his Excellency's speech, the note circulation in the presidency circles, which of course extend far beyond the presidency towns, is only 628 lacs (6,280,000 L.), while in the other circles, which are I conclude what his Excellency meant by the "outer circles," the note circulation was not 7 lacs (70,000 L.), but 117 lacs (1,170,000 L.).

23. There can be no doubt that the existing note circulation is much less than it might be; but in order to increase it no change of the Act is required, but simply a change in the management of the currency department, better arrangements for receiving and cashing notes up-country, and apparently also a better and more intelligent correspondence between the head quarters of the several circles.

24. When the Paper Currency Bill was passed but very few large commercial towns in the interior were accessible by railway. The case is now far different, and I know of no reason why Government should not undertake to give coin for notes of any circle at any of its principal treasuries on the line of railway.

25. This would, of course, often impose upon the Government the expense of cash remittances, but this expense would be very small when compared with the large profit which Government now derives from its currency investment in Government paper, and which profit would be greatly increased and rendered more secure by the increased note circulation which would follow the measure I recommend.

26. At present the up-country trader will take nothing but silver, because notes are not readily convertible at par at the great up-country centres of cotton trade; but if the notes were convertible there, they would circulate without any immediate demand for conversion, just as they do at the presidency towns.

27. I have confined myself in these remarks to the December crisis as being one with which the management of the bank had least to do. We shall be better able to discuss the conduct of the bank previous to and during the June crisis when we have before us the report which I have suggested should be called for from the Government directors, and we can then conveniently deal with the proposals to amend the Bank Act.

26 January 1866.

(signed) *H. B. E. Frere.*

P. S.—Since the above was written, Sir William Mansfield has noticed and corrected the error he made in speaking of the limited circulation of notes beyond the presidency towns.

2. At the same time I have been furnished by the Chief Secretary with the two returns which

* *E. g.*, this power to demand notes for assayed bullion is spoken of by Sir W. Mansfield as "a concession granted by Mr. Wilson," "an extraordinary privilege conferred on the bullion dealer," "an artificial stimulus given to the import of bullion."

which are annexed. One (No. 4) renders necessary some modification of what I have said as to the management of the bank during the last half of 1865, for it shows that the bank was on some days entirely dependent on the Government balance. But this point will be better considered when we have the official directors' report before us, as I understand the bank considers the Government reserve in the light of a fixed deposit, which cannot be withdrawn, a view in which, as I am at present advised, I cannot concur.

3. The other return, No. 5, however, illustrates the very limited utility to the bank of the nominally large Government balance: *e. g.*, on the 3rd July the total Government balance was 63 lacs, of which about 48½ was in whole rupees, and the rest in sovereigns (about 2 lacs), and small silver and copper, while on the 26th December, though the total balance stood at 68 lacs, only 8 lacs was in whole rupees, 38 in notes—which the currency department could not on that day have cashed, and which the bank, therefore, could not safely pay away—about one lac in gold, and the rest in copper and small silver.

4. Obviously a balance so constituted could be of little real use to the bank.

5. I think we should ask the Government directors so to frame their report as to give us the means of founding on their report the measures which the Government of India expect from us in the form of a revised Bank Charter Act, and also of a revised agreement with the bank for conducting the business of Government up-country, and using the Government balance at out stations.

6. The council is doubtless aware that the negotiations with the latter object in view have been suspended for the last three and half years in consequence of the Secretary of State having disapproved the arrangements made with the Bank of Bengal, which it was at first hoped might have been useful as a model for us to follow.

7. From the last report of the Bank of Bengal it appears that they have concluded a final arrangement with Government on the basis of the terms approved by the Secretary of State, and there seems, therefore, no reason for delaying any longer our arrangements with the Bank of Bombay for our Mofussil Treasury business.

17 February 1866.

(signed) H. B. E. Frere.

No. 1.

STATEMENT of the Amount of GOVERNMENT CURRENCY NOTES in Circulation, of the Amount of COIN and BULLION RESERVE, and GOVERNMENT SECURITIES held by the Department of Issue of Paper Currency, BOMBAY, from 1st July to 31st December 1865.

Months.	Notes in Circulation.	Gold Coin Reserve.	Silver Coin Reserve.	Silver Bullion Reserve.	Notes of Kurrachee Circle.	Government Securities held in Calcutta.	Total of Reserve and Government Securities.
1865.	Rs.	Rs.	Rs. a. p.	Rs.	Rs.	Rs. a. p.	Rs.
31 July -	4,09,00,000	17,00,000	1,89,21,800 14 9	10,00,000	6,00,000	1,86,78,199 1 3	4,09,00,000
31 August -	4,14,50,000	17,00,000	1,82,21,800 14 9	17,00,000	11,50,000	1,86,78,199 1 3	4,14,50,000
30 September	3,93,00,000	- -	1,54,51,717 9 5	39,70,000	12,00,000	1,86,78,282 6 7	3,93,00,000
31 October -	2,96,00,000	- -	55,51,717 9 5	39,70,000	14,00,000	1,86,78,282 6 7	2,96,00,000
30 November	2,94,75,000	6,00,000	46,01,717 9 5	41,70,000	14,25,000	1,86,78,282 6 7	2,94,75,000
30 December	2,60,45,000	15,50,000	* 15,83,717 9 5	51,70,000	63,000	1,76,78,282 6 7	2,60,45,000

* December 28th—Rs. 5,33,717. 9. 5.

No. 2.

PARTICULARS of the Bombay General Treasury Weekly Balances, from 3rd July to 26th December 1865.

	Rupees and Notes.	Halves.	Quarters and Eighths.	Sovereigns.	Copper.	TOTAL.
1865 :						
3 July - -	48,71,594	3,42,000	5,55,000	19,841	5,12,150	63,00,585
10 " - -	36,08,319	3,42,000	5,51,000	15,632	5,31,400	50,48,351
17 " - -	34,95,653	3,42,000	6,53,000	15,367	5,86,000	50,92,020
24 " - -	36,00,423	3,42,000	7,53,000	16,372	6,35,950	53,47,745
31 " - -	30,73,872	3,42,000	7,51,000	11,547	6,76,000	48,54,419
7 August - -	23,26,421	3,42,000	8,49,000	13,750	6,85,100	42,16,251
14 " - -	18,58,789	3,40,000	8,43,000	21,770	7,04,550	37,68,109
21 " - -	16,46,360	3,36,000	8,39,000	20,159	7,24,550	35,66,069
28 " - -	12,22,565	3,36,000	8,39,000	73,269	7,34,650	32,05,484
4 September -	9,68,093	3,10,000	8,11,000	68,788	7,64,600	29,22,481
11 " - -	14,15,883	3,06,000	8,07,000	31,886	7,94,500	33,55,269
18 " - -	23,91,993	3,04,000	8,03,000	26,100	8,13,950	43,39,043
25 " - -	43,60,030	3,04,000	7,99,000	7,308	8,13,900	62,84,238
2 October - -	49,53,929	3,04,000	8,99,000	5,808	8,24,750	69,87,487
9 " - -	49,97,095	3,02,000	8,95,000	5,716	8,55,650	69,55,461
16 " - -	46,04,247	3,02,000	7,87,000	5,147	8,94,150	65,92,544
23 " - -	47,72,508	3,02,000	7,87,000	4,544	8,93,750	67,59,802
30 " - -	41,86,106	3,02,000	7,81,000	23,886	8,83,900	61,76,892
6 November -	38,45,962	3,02,000	7,81,000	12,936	8,92,600	58,34,498
13 " - -	29,37,637	2,98,000	7,73,000	12,847	9,22,200	49,43,684
20 " - -	41,85,285	2,91,000	7,65,000	14,018	9,67,250	62,25,553
27 " - -	37,71,669	2,94,000	7,65,000	14,018	9,82,650	58,27,337
4 December -	42,54,235	2,94,000	7,65,000	13,878	9,81,750	63,08,863
11 " - -	42,57,532	2,94,000	7,65,000	13,217	9,81,450	63,11,199
18 " - -	47,50,967	2,94,000	7,65,000	12,989	9,80,200	68,03,156
26 " - -	47,73,622	2,92,000	7,60,000	12,602	9,79,850	68,18,074

No. 3.

Financial Department.—(No. 146.)—12th January 1866.

NOTIFICATION.—Statement of the Amount of Government Currency Notes in Circulation, of the Amount of Coin and Bullion Reserve, and Government Securities held by the Department of Issue of Paper Currency.

Date of Returns.	Circles of Issue.	Notes in Circulation.	Silver Coin Reserve.	Gold Coin Reserve.	Silver Bullion Reserve.	Government Securities held in Calcutta.	Notes of other Circles.
1865 :		Rupees.	Rupees.	Rupees.	Rupees.	Rupees.	Rupees.
30 Dec.	Calcutta Circle - -	3,13,89,810	52,20,371	- -	1,03,00,000	1,54,70,019	3,99,420
30 " -	Allahabad Branch ditto -	29,73,120	18,69,829	- -	- -	11,03,291	—
23 " -	Lahore - ditto -	46,10,570	39,10,533	- -	- -	7,00,037	—
23 " -	Nagpore - ditto -	17,70,770	12,22,889	- -	- -	5,47,881	—
30 " -	Madras Circle - -	55,00,000	12,13,885	- -	1,20,000	40,02,845	1,63,270
30 " -	Calicut Branch Circle -	3,51,460	2,51,401	- -	- -	1,00,059	—
30 " -	Trichinopoly ditto -	4,15,140	3,15,081	- -	- -	1,00,059	—
30 " -	Vizagapatam ditto -	3,89,860	2,89,801	- -	- -	1,00,059	—
30 " -	Bombay Circle - -	2,60,45,000	19,83,718	15,50,000	51,70,000	1,72,78,282	63,000
30 " -	Kurrachee ditto - -	11,42,400	7,42,400	- -	- -	4,00,000	—
	Total - - -	7,45,88,130	1,70,19,908	15,50,000	1,55,90,000	3,98,02,532	6,25,690
Deduct, —							
	Notes of other Circles cashed at Head Offices - - -	6,25,690	—	—	—	—	—
	Total - - -	7,39,62,440	1,70,19,908	15,50,000	1,55,90,000	3,98,02,532	6,25,690

Department of Issue of Paper Currency, Calcutta,
2 January 1866.

(signed) H. Hyde,
Head Comr. Department of Issue of
Paper Currency.

No 4.

Total Balance, Bank and Treasury.						Government Reserve in excess of Forty Lacs.				
	Notes.	Rupees.	Gold.	Small Silver and Copper.	Total.	Rupees.	Small Coin.	Copper.	Sovereigns.	Total.
1865:										
3 July	33,60,600	59,57,350	8,29,860	14,09,150	1,15,56,960	6,93,025	8,97,000	5,12,150	1,98,410	23,00,585
10 "	35,72,100	62,46,066	7,76,919	14,24,400	1,20,19,485	-	5,16,951	5,31,400	-	10,48,351
17 "	54,74,420	37,77,219	27,32,200	15,81,000	1,35,64,839	-	5,06,020	5,86,000	-	10,92,020
24 "	38,65,300	52,90,754	27,14,409	17,30,950	1,36,01,413	-	7,11,795	6,35,950	-	13,47,745
31 "	43,98,490	61,73,398	23,66,953	17,69,000	1,47,07,841	-	1,78,419	6,76,000	-	8,54,419
7 August	44,42,080	62,66,673	21,79,653	18,76,000	1,47,64,406	-	-	2,16,251	-	2,16,251
14 "	49,23,270	71,46,130	24,48,613	18,87,550	1,64,05,563	-	-	-	-	-
21 "	55,95,870	71,52,666	24,58,119	18,99,550	1,71,06,205	-	-	-	-	-
28 "	65,33,600	64,88,088	30,22,592	19,09,650	1,79,53,930	-	-	-	-	-
4 September	73,82,580	64,42,453	30,08,530	18,85,600	1,87,19,163	-	-	-	-	-
11 "	66,97,100	54,76,257	25,50,562	19,07,500	1,66,31,419	-	-	-	-	-
18 "	82,52,460	40,75,638	24,84,408	19,20,950	1,67,33,457	-	-	3,39,043	-	3,39,043
25 "	1,03,75,860	37,42,334	21,99,172	19,16,900	1,82,34,266	2,94,258	11,03,000	8,13,900	73,080	22,84,238
2 October	86,77,060	22,65,867	23,32,308	19,27,750	1,52,02,985	10,01,657	11,03,000	8,24,750	58,080	29,87,487
9 "	53,01,460	23,22,701	20,27,327	19,52,650	1,16,04,139	9,45,651	10,97,000	8,55,650	57,160	29,55,461
16 "	31,44,080	18,94,922	17,48,486	19,83,150	87,70,638	5,57,924	10,89,000	8,94,150	51,470	25,92,544
23 "	26,71,710	11,45,983	16,61,475	19,82,750	74,61,919	7,31,612	10,89,000	8,93,750	45,440	27,59,802
30 "	16,88,850	16,59,230	16,85,354	19,66,900	70,00,334	-	10,83,000	8,83,900	2,09,992	21,76,892
6 November	18,66,600	8,56,873	13,95,900	19,75,600	60,94,973	-	9,41,898	8,92,600	-	18,34,498
13 "	20,05,330	6,09,879	9,03,094	19,93,200	55,11,503	-	21,484	9,22,200	-	9,43,684
20 "	27,51,900	7,93,087	8,91,545	20,26,250	64,62,782	2,59,123	10,59,000	9,67,250	1,40,180	22,25,553
27 "	40,51,290	9,99,883	6,91,022	20,41,650	77,83,845	-	7,04,507	9,82,650	1,40,180	18,27,337
4 December	45,70,420	8,32,134	8,50,584	20,40,750	82,93,888	1,28,933	10,59,000	9,81,750	1,39,180	23,08,863
11 "	37,97,880	7,04,864	7,96,107	20,40,450	73,38,801	1,37,679	10,59,000	9,81,450	1,33,070	23,11,199
18 "	23,23,310	10,40,295	7,71,752	20,39,200	61,74,557	6,34,066	10,59,000	9,80,200	1,29,890	28,03,156
26 "	41,44,190	8,03,603	8,01,055	20,31,850	77,80,698	5,74,734	10,52,000	9,79,850	2,11,490	28,18,074

No. 5.

STATEMENT No. II., representing the Total Amount of the Government Balance, including Reserve.

	Rupees and Notes.	Proportion.		Halves.	Quarters and Eighths.	Sovereigns.	Copper.	Total.
		In Cash.	In Notes.					
1865:								
3 July	48,71,594	All	-	3,42,000	5,55,000	1,98,410	5,12,150	63,00,585
10 "	36,98,319	"	-	3,42,000	5,51,000	1,56,320	5,31,400	50,48,351
17 "	34,95,653	"	-	3,42,000	6,53,000	1,53,670	5,86,000	50,92,020
24 "	36,00,423	"	-	3,42,000	7,53,000	1,63,720	6,35,950	53,47,745
31 "	30,73,872	"	-	3,42,000	7,51,000	1,15,470	6,76,000	48,54,419
7 August	23,26,401	"	-	3,42,000	8,49,000	1,37,500	6,85,100	42,16,251
14 "	18,58,789	"	-	3,40,000	8,43,000	2,17,700	7,04,550	37,68,109
21 "	16,46,360	"	-	3,36,000	8,39,000	2,01,590	7,24,550	35,66,069
28 "	12,22,565	"	-	3,36,000	8,39,000	7,32,690	7,34,650	32,05,484
4 September	9,68,093	"	-	3,10,000	8,11,000	6,87,880	7,64,600	29,22,481
11 "	14,15,883	"	-	3,06,000	8,07,000	3,18,860	7,94,500	33,55,260
18 "	23,91,993	"	-	3,04,000	8,03,000	2,61,000	8,13,950	43,39,043
25 "	43,60,030	37 lacs	6 lacs	3,04,000	7,99,000	73,080	8,13,900	62,84,238
2 October	50,53,929	22 "	28 "	3,04,000	7,99,000	58,080	8,24,750	69,87,487
9 "	49,97,095	23 "	26 "	3,02,000	7,95,000	57,160	8,55,650	69,55,461
16 "	46,04,247	18 "	28 "	3,02,000	7,87,000	51,470	8,94,150	65,92,544
23 "	47,72,508	{ 11 lacs	- }	3,02,000	7,87,000	45,440	8,93,750	67,59,802
30 "	41,86,106	{ 10 " gold	26 "	3,02,000	7,81,000	2,38,860	8,83,900	61,76,892
6 November	38,45,962	{ 16 lacs	- }	3,02,000	7,81,000	1,29,360	8,92,600	58,34,498
13 "	29,37,637	{ 9 " gold	16 "	3,02,000	7,81,000	1,28,470	9,22,200	49,43,684
20 "	41,85,285	{ 8 lacs	- }	2,98,000	7,73,000	1,40,180	9,67,250	62,25,553
27 "	37,71,669	{ 12 " gold	18 "	2,94,000	7,65,000	1,40,180	9,82,650	58,27,337
4 December	42,51,235	{ 6 lacs	- }	2,94,000	7,65,000	1,38,780	9,81,750	63,08,863
11 "	42,57,532	{ 3 " gold	20 "	2,94,000	7,65,000	1,32,170	9,81,450	63,11,199
18 "	47,50,967	{ 7 lacs	- }	2,94,000	7,65,000	1,29,890	9,80,200	68,03,156
26 "	46,73,320	{ 7 " gold	23 "	2,92,000	7,60,000	1,12,900	9,79,850	68,18,074
		{ 8 lacs	- }					

* On 18th December the Government Balance exceeded the Bank's Cash Balance by 7 lacs.

MINUTE by the Honourable *B. H. Ellis*, dated 21st February 1866.

As his Excellency the President proposes to await the receipt of the report of the official directors of the bank, I am not sure that any comments on the accompanying papers are required at the present stage, but I venture on a few remarks in the hope that if my views are incorrect, I may be set right before we have to discuss the official directors' report, which should be called for, as suggested by his Excellency the President.

2. As I now understand the matter, I conceive that in the later crisis the fault cannot be attributed to the bank.

3. In the first place, I consider that the terms of the agreement quite justify the bank in looking at the Government balances as freely at their disposal for all banking purposes. The Government balance above 40 lacs they cannot reckon on, for it is expressly set aside as Government reserve; below 40 lacs, and above 30 lacs, it may be looked on as a current deposit, but the Government money below 30 lacs must, I think, be admitted to be as much available to the bank as any fixed deposit. The very fact that Government is treated like an ordinary customer, and pays the same interest as ordinary borrowers on all sums withdrawn below 30 lacs, indicates this; and were not this conceded, I do not understand what the bank gains by becoming the agent for Government, for the sum allowed for the expenses of establishment is confessedly below the actual cost of the establishments required for the Government business.

4. Had Government then at a critical time drawn any large sum out of the deposit below 30 lacs, it would have been an act of questionable fairness.

5. But it appears to have occurred to his Excellency the President that even had Government withdrawn all in excess of the fixed balance, and had they availed themselves of their undoubted right to draw on their reserve, the bank must have been closed: This is what I understand by the bank being entirely dependent on the Government reserve, and it is true, with this modification, that the Government currency department would have been bankrupt first. For it will be remembered that this crisis was developed in the form not of a want of credit, but of a want of cash—of hard rupees; and had Government drawn on the bank, their cheques would have been met by payment in notes, which the currency department could not have cashed beyond six lacs of rupees; so that if Government had drawn in excess of that sum, the result would have been stoppage of payment by the currency department. This seems to me to show pretty clearly that the want of coined rupees in the currency department, and not the dependence of the bank on the Government reserve, is the feature to be noticed in this crisis.

6. The analysis of the Government cash balance referred to in his Excellency the President's minute demonstrates how little the balance could have been turned to account. Out of a nominal balance of 68 lacs on the 26th December only 8 lacs were in whole rupees; the bank may be said, therefore, to have used great forbearance in not calling on Government to keep a balance which represented more truly than this the 30 lacs of rupees fixed by the agreement as a minimum.

7. Thus far in regard to the means of the bank for meeting the demands of Government. As to the general position of the bank on the worst day of the crisis, I think that, so far as I may offer an opinion, it was remarkably good, especially when we consider the events that had taken place six months before, and the over-due bills still outstanding consequent on those events. The exchange banks at this time were in a critical state, for they had some five crores of deposits against a cash balance at the banks of 38 lacs, though at the corresponding period in the previous year they had three and a half crores. Assistance had been rendered to them by the Bank of Bombay to the extent of 14½ lacs, and it was partly in rendering this assistance, and partly in accommodating Government, that the Bank of Bombay had sent away to Calcutta by bills 19½ lacs of rupees not long before the crisis arrived. This transaction seems to be excused by the assistance thus rendered to other banks, if not by the profits derived from it, which may, I believe, be estimated at present at 6 per cent. But even had the original transaction been an error, the error was not material, for the 19½ lacs would, if required, have been realisable within three days, though, of course, not without a loss to the bank, and not without causing some panic in the money market, and for this reason the 19½ lacs were not realised. As the bank can show that at the worst period it had 52 lacs against a liability of 123 lacs, I think its position was good, and that we should not be justified in attributing blame to the bank, or in attempting to decry the management for what took place last December.

(signed) *B. H. Ellis.*

MINUTE by the Honourable *C. J. Erskine*, dated 2nd March 1866.

MR. ELLIS seems to have written under an impression that his Excellency the Governor proposes to take no further action in this matter until the report of the Government Directors of the bank shall be received. From the 2nd paragraph of His Excellency's minute, however, I conclude that his intention is to address the Government of India without waiting for the report which is now to be invited.

2. It will be convenient, I think, and for some reasons desirable, to communicate with the Government of India at once on the subject of the Currency Department in Bombay, and, if necessary, also of the Treasury balances. But I would offer no opinion as to the recent management of the bank until we are in possession of the reply of the Government Directors.

3. I would rather defer any expression of opinion as to the bank's management during December last, as well as during the preceding June. The report of the directors, I believe, in accordance with instructions already issued, will embrace the transactions of the whole of the past year, and not those of the last six months only, as contemplated by the Government of India.

4. In the mean time there can be no doubt that the recent crisis, in December last, disclosed a state of affairs in the currency department which calls for immediate attention.

5. The state of the currency reserves in November and December shows very clearly that, so long as the issue department in Bombay shall be liable to these sudden and extraordinary demands for notes in exchange for bullion, and again for coined silver in exchange for notes, it is indispensable, if the convertibility of the notes is to be at all times secured, that nearly the whole of the currency reserves in Bombay (at least) should at certain seasons be held in rupees. If the export trade in cotton, and therewith the importations of bullion, are likely to increase, it must be desirable that the necessity for this precaution should be practically recognised at once.

6. It may not be expedient to make similar arrangements in other circles; and there is no reason why the management of the reserves should be conducted on exactly the same rules in places the circumstances of which are exceedingly different. But in Bombay the propriety of making early provision for the future in the manner now suggested seems to be demonstrated by our experience of the risk attendant on a different course.

7. His Excellency has expressed an opinion that the recent dangerous strain upon the currency reserves might have been averted, not only if the power of holding a certain amount of Government securities against notes had been more sparingly used, but even if a portion of those securities had been held in Bombay, so as to be capable of immediate realisation here. The manner in which the Government securities purchased in this Presidency are to be held and disposed of is noticed in sections 11 and 14 of the Currency Act (XIX. of 1861); and there seems to be nothing in those sections which would interfere with the holding in Bombay of securities purchased in Bombay. If they were so held, the head of the currency department might be able, more readily than at present, to prepare to some extent for any pressure which he could foresee, though the consent of the Governor General in Council to sales of such securities would still be required. But it is not so clear that this arrangement, in a crisis like that which has just passed, would materially add to the resources of the commissioner for recruiting his reserve of coined silver. At such a time the securities, if sold, would probably be paid for in notes; and in that case the relief to the department would rather be in the form of a diminished liability to demands for coin in exchange for the notes thus withdrawn from circulation.

8. Even that relief would be useful, in as far as it goes, to the currency department, if not to trade. But the best safeguard undoubtedly against sudden strains upon the currency reserves and abnormal contractions of the note circulation (which must be exaggerated by any want of confidence as to the ready convertibility of the notes) would be a prudent limitation of the amount of Government securities to be held in the name of the currency commissioner.

9. I entirely concur with his Excellency that the Government should never have recourse to the authority given them by the recent Act (I. of 1866), of fixing an interval after which only the bullion merchant shall be entitled to receive notes for his bullion, unless at any time the Government should unhappily find that they cannot, even by the sale of securities held in the currency department, provide the commissioner with the means of cashing at once any notes so issued, or likely to be demanded. In practice, the power of disposing of securities in good time in anticipation of a pressure would generally, I suppose, be sufficient, if due foresight were exercised, to obviate difficulties of this nature. Still it is possible to conceive that, owing to an extraordinary demand for coin in exchange for notes, accompanied by very large deliveries of bullion at the Mint, some portion of the note issues (if the immediate and unlimited issue of notes for bullion were in every case imperative) might for a short time not be at once convertible. This might happen (in an extreme crisis) even if the whole of the currency reserves had at the commencement of the crisis been held in rupees.

10. Some apprehension of the possibility at least of an emergency of this kind may have been one of the reasons which led Mr. Wilson at first to refrain from proposing that notes should be demandable in exchange for bullion; and may be allowed to establish the propriety of the act recently passed, as an amendment and complement of the Currency Act, a last resource, to be held in reserve in case of any extraordinary crisis. But I quite feel that it can hardly ever be expedient that the power granted by this amending act should be exercised, unless the Government should be unable by other means to provide for the immediate conversion of notes issued for bullion.

11. The comparatively small profit which Government may make on any amount of currency reserves which might safely be invested in Government securities in Bombay is, at all events, of little importance in comparison with the convenience to commerce and the ease given to the market by the existence of an assured confidence on the part of bullion importers that they will have it in their power, immediately on importation, to convert their bullion into money.

12. Indeed, however convenient it might at times be to any Government department that presentations of bullion for immediate exchange for coin should be moderated, it is only necessary, in order to estimate the general risk of any stagnation in the flow of bullion, to consider what would have been the effects on trade lately if any obstructions* here in the way of its immediate conversion had tended to check its influx at a time when the Mint, working bullion into coin at the rate of more than $1\frac{1}{2}$ crores of rupees in a month, could not, even under those conditions, satisfy the demand of trade for coined money.

13. I should be glad to know exactly, with reference to clauses 12, 13, 14, and 15 of the agreement between this Government and the bank, and with especial reference to clause 12, how far the bank admits that any responsibility rests upon it, as an agency of issue, to assure itself that the reserves of coin in the currency department are regularly maintained at such an amount as to insure to the bank the means of fulfilling the obligation, which it has taken upon itself by the agreement, of paying on demand the amount of all notes duly issued in this Presidency and presented for conversion into cash at the principal office of the bank in Bombay. If there has been a want of foresight in the management of the reserves in the issue department, it would be well to know with certainty whether the bank is in any way jointly responsible for this; and, if so, whether it admits its responsibility.

14. While suggesting that no opinion should at present be expressed as to the recent management of the bank, I am very sensible that in forming an opinion on that point hereafter it will be necessary to consider how far the position of the bank may have been weakened by the state of the currency department, and the consequent practical convertibility of the bank's note balances.

15. There is much need that the suggestions of his Excellency as to the management of this department should receive early attention.

16. Without at all suggesting that the currency scheme has not been successful up to a certain point, I cannot but own to a feeling of disappointment on considering that, after it has been at work for five years, the confidence of the people in the notes is so far from being well established that it is still necessary, at great inconvenience, and with the certainty of greatly disturbing the money market, to send to the interior such immense supplies of silver with which to pay producers for their crops. It is hard to say how far the recent monetary crisis here might have been averted (without reference to the ability of the currency department in December to cash all notes) if notes would have circulated freely in the provinces. Although this tardy progress is no doubt attributable rather to imperfect management and defective arrangements for cashing notes up-country than to any flaw in the original scheme, the result is not the less unfortunate. I trust that something may be done to stimulate the circulation by arranging that notes shall be cashed, as far as possible, at selected Government treasuries in provincial centres of trade along lines of railway, and by multiplying branch banks, so that the Government balances in the interior may be further utilised, while a paper currency is encouraged. I hardly see how the Government could undertake to cash without restriction the notes of all circles, even at selected treasuries in the interior. But whatever step can be taken in that direction will, I trust, be taken without delay.

17. Allusions have been made, both by his Excellency the Governor and by the Honourable Mr. Ellis, to the composition of the Government balances in the bank coffers in December last, as showing how little support the bank derived from its connection with the Government in that way. In as far as relates to the fact that the bank held a large portion of its balances at that time in notes, and that it could not issue those notes for conversion into cash, this has already been alluded to, and should, in fairness to the bank, be considered. But it does not occur to me that the amount of small silver coins, or of gold, or of copper, included in the Government balances, could have injuriously affected the

* It has been reported that the last mail steamer brought to Bombay more than a crore of rupees worth of specie. The loss to importers, and consequent discouragement to the trade, which would result from indefinitely deferring payment of the value of such an importation, may readily be estimated.

the bank's operations in any other way over and above this, so long at least as there was no reason to apprehend that Government would draw largely on their reserves. It is apparent from the statements, 4 and 5, circulated by his Excellency, that the whole amount of the small coins, gold and copper, entered therein, was always during the whole period of pressure included in the Government reserves, which the bank have no claim to touch, and not in the ordinary balances, which the bank are at liberty freely to utilise.

18. In paragraphs 7 and 8 of the letter from the Government of India, it is alleged that the bank have apparently failed to observe the 5th clause of their agreement. I am not sure whether the meaning of this is that the bank ought not to have held any part of the treasury reserve in gold or copper. In other respects the bank seems to have observed the provisions of the clause referred to; and even in this respect I do not know that they may not justify their practice of transferring to the Government reserves gold or copper coins received as part of the treasury balances. Such coins must generally be reckoned as cash, though they may not be legal tender, nor readily available for general banking purposes. It may, on the other hand, be a question perhaps how far the bank would be obliged to reckon such coins as part of the Government balances assigned to them for use, or whether they might not even charge interest on the sum represented by such coins in the event of the total Government balances (including such coins) falling below 30 lacs of rupees.

19. It would be well, I think, to obtain information as to the understanding of the bank on both points.

20. I would take this opportunity of reminding the Government of India how very much this Government is left in the dark both as to currency affairs and as to treasury affairs, and how the irresponsibility of the local Government for the management of both of these departments has already been, and may again be, productive of evil.

21. At the same time I cannot but concur to some extent in what I gather to be the opinion of the Government of India, that it would be a poor vindication of a banking establishment which holds the treasury balances, which conducts an agency for the issue and payment of currency notes, and in the direction of which are officers selected by Government, that its position during an anxious crisis was, on the whole, not so bad as that of the exchange banks by which it is surrounded. Unless it should appear, as I hope it will, that in this time of severe pressure, but not of panic, the Bank of Bombay succeeded in giving to the local money market a degree of steadiness greater than it would otherwise have had, the bank, I cannot but think, would be held to have done less than the shareholders, the Government, and the public, might justly expect.

22. In submitting the report now requested, the directors might perhaps be asked to furnish, in addition to the information required by his Excellency, particulars also on some points in regard to which authenticated and precise statements would be valuable: for instance—

Is it believed that, in all probability, there would have been little pressure on the currency department if remittances to the interior might freely have been made in notes?

Is it believed that, in all probability, the pressure on the bank would have caused little apprehension if the bank had been able to reckon upon receiving freely in the issue department coin to give in exchange for notes?

What sum (as nearly as can be computed) was drawn from the bank for up-country payments for cotton during each of the last three or four months of 1865, and of each of the preceding three or four years?

With reference to paragraph 6 of the letter from the Government of India—To what extent did the bank “gather up its resources” during the few months of pressure? The comparison made in one of these papers between the state of the bank on the 19th September and 13th November last, seems to show that during that period its first-class deposits had been reduced by 99 lacs, and its cash balances by 115 lacs.

What was the state of the bank on the worst day of the late pressure? The statement in one of these papers seems to indicate that on that day (18th December) the bank's cash balances available in Bombay (exclusive of the balance of 19½ lacs in Calcutta) were 32½ lacs, while the liabilities were 123½ lacs. I am not sure whether or not 38 lacs of these liabilities were the balances of other banks then under extreme pressure for funds.

23. I do not find here any information as to the extent to which, and period during which, the discount operations of the bank were curtailed.

(signed) C. J. Erskine.

2 March 1866.

MINUTE by His Excellency the Governor, dated 2nd March 1866, concurred in by the Honourable *C. J. Erskine*.

THE report required by the Government of India should now be called for.

2. In the mean time copies of these minutes should be sent to the Government of India, as they throw much light on some of the questions now before the Governor General in Council.

3. Till we have the directors' report before us I will not enter further on the points discussed by my honourable colleagues, merely observing that, while I agree with Mr. Ellis in thinking that the bank was not responsible for causing or aggravating the December crisis, the question whether the bank management under the circumstances was good or bad is a very distinct one, on which any present opinion would be premature.

4. I cannot concur in the view he takes of the power of Government to draw its funds below the limit of 30 lacs; but on this point I would await an expression of the view which the bank takes of its own powers and liabilities as regards the balance.

5. I concur very generally in Mr. Erskine's remarks.

(signed) *H. B. E. Frere.*
C. J. Erskine.

2 March 1866.

MINUTE by the Honourable *B. H. Ellis*.

Seen.

(signed) *B. H. Ellis*

MINUTE by His Excellency the Governor, dated 27th February 1866.

SINCE writing on the subject of the late management of the paper currency here, I have seen the notification of the Government of India in the Financial Department, No. 592, of the 3rd instant,* appointing a Commission to report upon the operation of the Paper Currency Act, and it suggests one or two remarks which I feel bound to add to the observations I have already recorded.

2. I do

* No. 592.

FORT WILLIAM, the 3rd February 1866.

Read again the following correspondence regarding the working of the Paper Currency :—

From the Chamber of Commerce, dated 23rd January 1866.
To ditto No. 544, dated 1st February 1866.
From ditto dated 3rd ditto.

RESOLUTION.—The Governor General in Council observes that the memorial of the Chamber of Commerce is in consonance with the views which the Government had under consideration.

The sense of the commercial community, as well as of the Government of India, has been repeatedly declared in favour of a gold currency; but the Secretary of State has not as yet been satisfied that the attempt would be expedient or practicable. Instead of a gold, a paper currency has been introduced, in the expectation that it would prove a more convenient and acceptable circulating medium than either of the precious metals.

After the experience of nearly five years, it is now desirable to inquire whether this expectation has been fulfilled. The inquiry should be, in the first instance, an inquiry into the operation of the Paper Currency Act, and not as the Chamber of Commerce propose, an inquiry as to the expediency of introducing gold into the monetary system of India. It must be shown that paper has not proved, and is not likely to prove, a circulating medium adequate to the want and suitable to the habits of the country, before an endeavour is made to introduce gold in supersession of, or in addition to paper.

The Governor General in Council has accordingly determined to appoint a Commission, consisting partly of official and partly of mercantile gentlemen, to inquire into, take evidence, and report upon the operation of the Paper Currency Act, upon any improved arrangements, including the introduction of notes of the denomination of 5 rupees, by which it could be rendered more effective, and upon any extension of the monetary system which the increasing commerce and prosperity of the country may seem to require. The Commission will be constituted as follows :—

President :—His Excellency General Sir W. R. Mansfield, K.C.B.

Members :

Honourable H. S. Maine.
Honourable W. Grey.
Honourable J. N. Bullen.
Honourable D. Cowie.

Mr. E. H. Lushington.
Mr. G. Dickson, Secretary, Bank of Bengal.
Mr. W. Anderson, Manager, Oriental Bank.
Mr. H. G. Dunlop, Manager, Agra and Masterman's Bank.

Secretary :—Mr. D. R. Onslow.

2. I do not know what are the views advocated in the memorial from the Chamber of Commerce (Calcutta), and which are stated to be in consonance with the views which the Government (of India) had under consideration.

3. But I would submit to the Government of India whether the statements in the second paragraph of the resolution are not inaccurate in a rather important particular.

4. I do not know of any "repeated" declaration of the sense of either the commercial community nor of the Government of India in favour of an exclusive gold currency as a substitute for an exclusive silver currency, and it was only in that sense that the Secretary of State had; as far as I am aware, doubts of the present expediency or practicability of legalising a gold currency.

5. Again, is it not a mistake to say, that "instead of a gold a paper currency has been introduced, in the expectation that it would prove a more convenient and acceptable circulating medium than either of the precious metals"?

6. I submit with the utmost deference that this is hardly an accurate statement of the grounds on which the Government of India, and least of all the late Mr. James Wilson, acted. He was the last man to have proposed paper as a substitute for, or as anything but a representative of, the precious metals. The foundation of all his paper currency views and arrangements was effectual provision for the immediate convertibility of the notes, and no man knew better than he did how many of the functions of currency, especially as connected with foreign trade, cannot be performed by any but a metallic currency.

7. That this is not an important point will be seen by paragraph 3 of the Resolution.

8. For I would submit it is not, as the resolution states, necessary to show that "paper has not proved, and is not likely to prove, a circulating medium adequate to the wants and suitable to the habits of the country before an endeavour is made to introduce gold in supersession of, or in addition to, paper."

9. I should have thought it quite unnecessary now to argue that neither paper alone nor a metallic currency alone can provide "a circulating medium adequate to the wants" of such a country as India; yet the resolution would seem to imply the possibility of such a result to the inquiry. Still less, I should think, would any modern English financier dream of introducing into India, or any other great commercial country, gold or any other metal "in supersession of paper."

10. I regret that these points should have been raised by the resolution, because they may lead to discussions which may draw away attention from the very valuable results which are sure to follow any important and thorough inquiry into the working of the Paper Currency Act, and they may possibly prejudice against any suggestions the Commission may offer the very able school of economists to which Mr. James Wilson belonged.

11. I have no doubt it will be found, as the result of any careful inquiry, that the Paper Currency Act has been a very valuable addition to the commercial facilities of India; that it has been very imperfectly carried out, and very weakly and badly worked; and that there are a great number of very feasible and obvious suggestions for improving its workings so as to make it more generally useful without impairing the certain convertibility of the notes.

12. But that no possible or prudent expansion of the paper currency will meet all the wants of the country for a larger and more convenient currency—that the use of gold as a legalised part of that currency is imperative—and that the introduction of gold as a legalised portion of our monetary system is by no means so difficult a problem as has been supposed.

13. If anything of this kind be the result of the Commission's inquiry, it must be useful to India; and I would, therefore, submit to the Government of India that it might be well to avoid the misapprehensions to which I have adverted, by letting it be known that the inquiry is not one into the long settled question of a metallic *versus* a paper currency, nor an attack on the currency views of the late Mr. James Wilson—the two aspects in which I fear, from the resolution as it stands, the appointment of the Commission is likely to present itself to many readers.

27 February 1866.

(signed) *H. B. E. Frere.*

MINUTE by the Honourable *C. J. Erskine*, dated 4th March 1866.

As the exact import of paragraphs 2 and 3 of this resolution of the Government of India is not quite clear to me, and as an opportunity will no doubt be afforded to this Government of expressing its opinion on the subject of that resolution before action is taken on the proposals of the new Currency Commission, I will not now detain this minute, which I am sure will be received by the Government of India with very special interest, as proceeding from one who was so fully aware of the intentions of the late Mr. Wilson in all his plans for a reform of the currency in this country.

4 March 1866.

(signed) *C. J. Erskine.*

MINUTE by the Honourable *B. H. Ellis*, dated 5th March 1866.

I DO not understand how an inquiry into the working of the Indian paper currency will make it clear whether or not a gold currency ought to be introduced, but we have not before us the whole of the detailed proceedings of the Government of India on which the resolution referred to was based, and I therefore refrain from expressing any further opinion at present. His Excellency the President's minute should be forwarded at once to the Government of India.

5 March 1866.

(signed) *B. H. Ellis.*

MINUTE by the Honourable *C. J. Erskine*, dated 8th March 1866.

WHEN I made some remarks the other day on the state of the currency department in Bombay, I was under an impression that Mint certificates were habitually presented for payment at the issue office of that department in the Bank of Bombay; that when payment of a Mint certificate was demanded in notes, fresh notes were issued from the currency department against the bullion represented by the certificates; and that when payment was demanded in coin, the amount, though taken at the moment from the Treasury balances, was replaced (by adjustments daily, or twice a week) from the currency reserves, which held in exchange the bullion represented by the certificate so paid, until the Mint could turn that bullion into coin.

2. This impression, it appears, was erroneous. Not only are Mint certificates always issued on the Treasury, but payment of such certificates, whether in notes or coin, is always made from the Treasury balances.

3. The process appears to be this: so long as the Mint is fully supplied with bullion, it is kept at work to the full extent of its power; and the whole outturn in coin is sent as a matter of course, to the Treasury, where it is included in the Treasury reserves.

4. All Mint certificates presented at the bank are, as a matter of course, paid in notes or coin at the option of the holder. When coin is demanded, it is taken from the Treasury reserves. When notes are demanded, they are taken from the note balances in the bank, and the amount is recovered in coin from the Treasury reserves.

5. If more notes are required for such payments than the bank can spare from its balances, fresh notes are obtained from the currency department, and coin of equal value is transferred from the Treasury reserves to the currency reserves.

6. To this extent the processes are very simple; no bullion at all is forced upon the currency department, and the whole of its reserve (unless a portion has been invested in Government securities) is held in coined silver.

7. But when the drain of coin from the bank in payment of Mint certificates, or of other demands on the Treasury, is such as to exhaust the supplies of coin in the Treasury and in the Mint, recourse is had to the expedient of taking coin from the currency vaults in exchange for Mint bullion, which thereby becomes the property of the currency commissioner, though it remains in custody of the Mintmaster.

8. The Mintmaster must retain possession of the bullion thus nominally transferred, as the Mint cannot be kept fully at work in all its branches if the amount of bullion at its disposal be allowed to fall below 100 or 120 lacs of rupees worth; and so long, therefore, as the pressure on the Treasury continues, the claim of the currency commissioner will be only upon a stated amount (in value) of the bullion on which the Mint is at work, but the product of which, as it is turned into coin, will always be intercepted by the Treasury. The commissioner is, in fact, in the position of a holder of Mint certificates who must not present them at the Treasury for payment in coin.

9. When

9. When it is considered that this power of abstracting coin from the currency reserves, in exchange for unavailable bullion, may be used to an indefinite extent; that the temptation to use it largely will be strongest when the scarcity of coin is greatest; and that it may be used (as in the autumn of last year) in order to enable the Treasury to meet an extraordinary demand for coin wherewith to pay Mint certificates, just when the currency department (thus unfortunately weakened) is about to be strained to the utmost by an equally extraordinary demand for coin to pay away in exchange for notes; it is evident that great experience, foresight, and firmness, will be necessary to guard against confusion in the currency department.

10. Indeed, if that department is to be placed on a really sound and safe footing, it would seem that Government should endeavour at once to determine the minimum of note circulation, below which the paper currency of this circle never has fallen, or shown a disposition to fall, even in times of the greatest pressure for coined silver; that this value of the minimum of paper circulation thus determined should represent the greatest amount of the currency reserves that is ever to be held in Government securities and bullion together; and that whenever a further exchange of coin from the currency department for bullion from the Mint would cause the combined values of bullion and securities held by the currency commissioner to rise above the regulated limit, accommodation to the Treasury should be granted only in the form of Government securities (in exchange for bullion) to be realised by the Treasury at its own risk.

11. If it should appear that the Treasury, when deprived of further support from the currency department, might be exposed at certain seasons to excessive pressure, due provision should be made to strengthen the balances at those seasons. A pressure resulting from the general demands of the public service should always be preventible by timely calls upon the local treasuries. A pressure resulting from extraordinary demands in connection with exceptional importations of bullion might generally be moderated (as Colonel Hyde has suggested) by the issue of Mint bills bearing interest, and negotiable like Exchequer bills; at all events it should be clearly understood that, except within certain moderate and defined limits, the Treasury must always be compelled to make independent provision for its own wants of every kind.

12. An abnormal interference with the currency reserve is not the only evil of forced and excessive reductions of the Treasury balances. Such reductions are apt to occasion great inconvenience and expense, owing to the necessity they create for frequent and hurried remittances to meet sudden emergencies; and in some degree, I am assured, they even tend to impair, or at least to imperil, the character of the coinage owing to the extent to which the Mint and Mint establishments are thereby forced to work against time and beyond their proper powers.

C. J. Erskine.

8th March 1866.

MINUTE by His Excellency the Governor, dated 9th March 1866.

THIS is a most important subject, and I generally agree with Mr. Erskine. With his permission, I would forward a copy of his minute to Colonels Hyde and Maxwell, and to the officiating accountant general, and ask them to favour Government with their remarks; and copies should be sent without delay to the Government of India and the Secretary of State in continuation.

H. B. E. Frere.

9th March 1866.

(Financial, No. 51.)

To His Excellency the Right Honourable the Governor in Council, Bombay.

Sir,

India Office, London, 30 April 1866.

1. I HAVE considered in Council your financial letter, dated the 13th March last, No. 8, forwarding copies of minutes recorded by the members of your Government, on receipt of a letter from the Government of India calling for a report as to the past management of the Bank of Bombay, and the measures which you may propose for the future in reference thereto.

2. I had previously received from the Government of India a copy of the letter which you now forward, and my instructions will be communicated to that Government when I shall be in possession of their views on the subject.

I have, &c.

(signed) *De Grey and Ripon.*

(Financial Department.—No. 151 of 1866.)

To the Right Honourable the Earl *De Grey and Ripon*, Secretary of State
for India.

My Lord,

Simla, 14 July 1866.

IN March last the Government of Bombay forwarded to your Lordship copies of certain minutes recorded by the members of that Government regarding the management of the Bank of Bombay in the past official year.

2. Since then, the report of the official directors of the Bank on the subject has been submitted, and it is gathered, that a copy of it, with further minutes recorded thereon by the members of the Local Government, has also been sent home.

3. Your Lordship having thus been put in possession of the entire correspondence of the Government of Bombay on the subject, we now forward a copy of our reply to that Government, No. 1456, dated 13 July 1866, and also a copy of the correspondence, noted in the margin, relative to the appointment of the local Accountant-General to be a director of the Bank.

Letter to the Government of Bombay,
No. 1211, dated 10 March 1866.
Memorandum from ditto, No. 299,
dated 21st March 1866.
Letter to ditto, No. 1050, dated 18 June
1866, with inclosure.

We have, &c.

(signed) *John Lawrence.*
W. R. Mansfield.
H. S. Maine.
W. Grey.
G. N. Taylor.
W. N. Massey.
H. M. Durand.

(Financial Department—No. 1211.)

To the Secretary to the Government of Bombay.

Sir,

THE attention of the Governor General in Council having been drawn to the orders of the Bombay Government, dated 20th February last, appointing the Honourable Colonel W. F. Marriott, and G. Norman, Esq., Civil Service, to be Government Directors of the Bank of Bombay, vice Lieutenant Colonel J. A. Ballard, R.E., and J. L. Lushington, Esq., Civil Service, I am directed to observe that, under this arrangement, Mr. Chapman, the present officiating Accountant General, Bombay, has been excluded from the Direction.

2. According to the orders of the late Honourable Court of Directors, the Accountant General; for the time being at the Presidency, was always required to be a member of the Presidency Bank, and as that arrangement was then considered necessary on public grounds, its expediency, His Excellency in Council desires me to remark, is of infinitely greater importance now, when, in addition to the interests of the Government as a large shareholder in the Bank, the Bank has the management of the business of the General Treasury, with which the Accountant General is closely connected, and the balance of which, at the present time, exceeds one million sterling. The Governor General in Council accordingly requests that His Excellency the Governor may be moved to take the foregoing order, appointing Colonel Marriott and Mr. Norman into his early reconsideration, in order that Mr. C. E. Chapman, the officiating Accountant General, may be appointed a Government Director in the place of one of those gentlemen.

Fort William, 10 March 1866.

I have, &c.

(signed) *E. H. Lushington.*

(No. 299 of 1866.)

MEMORANDUM.

Financial Department, Bombay Castle,
21 March 1866.

THE undersigned presents compliments, and requests the Secretary to the Government of India, in the Financial Department, will be so good as to favour him with reference to paragraph 2 of Mr. Lushington's letter, No. 1211, dated the 10th instant, with a copy of the despatch from the late Honourable the Court of Directors, requiring the Accountant General, for the time being at the Presidency, to be a member of the Presidency Bank.

(signed) *F. S. Chapman,*
Chief Secretary to Government.

(Financial Department—No. 1050.)

To the Chief Secretary to the Government of Bombay.

Sir,

IN reply to your memorandum, No. 299, dated 21st March 1866, I have the honour to forward a copy of an extract from a despatch of the late Court of Directors, dated 16th December, No. 25, of 1846, from which it will be seen that it was their wish that the Accountant General should always be a Director of the Presidency Bank.

I have, &c.

(signed) *E. H. Lushington*,
Secretary to the Government of India.

Simla, 18 June 1866.

EXTRACT from a DESPATCH of the late Court of Directors, dated 16 December,
No. 25, of 1846.

WE are of opinion that the Government Directors of the Bank should be chosen from the highest ranks of our Civil Service, such as the Accountant General, the Secretaries to Government, and others of similar standing, and that the Accountant General should always be a Director of the Bank.

(True Extract).

(signed) *F. Lushington*,
Accountant General.

(Financial Department—No. 1456.)

To the Chief Secretary to the Government of Bombay.

Sir,

I AM directed to acknowledge the receipt of your letter, No. 609, dated 16th June, with enclosures, regarding the management of the Bank of Bombay.

2. The letter from the Government Directors of the Bank of Bombay, which forms one of the enclosures under notice, purports to be a compliance with the requisition contained in my letter, No. 161, dated 13th January, calling for a report on the liabilities and management of the Bank of Bombay.

3. This report contains a general review of the condition and transactions of the Bank during the past 15 months, which is in some important particulars at variance with the information already in possession of the Government of India.

4. The first intimation of the precarious position of the Bank which reached the Government of India was conveyed in a telegraphic despatch from His Excellency, the Governor of Bombay, to His Excellency the Governor General, dated 15th June 1865, and contained the following passages:—

“Directors state great danger of Bank suspending payment, unless immediately supported by Government. May this Government advance to extent of 150 lakhs from Currency Reserve if necessary?”

* * “Unless you telegraph immediately authority to this Government to act if necessary, it may be too late to avert disasters, financial and political, more extensive than mere stopping of Bank.”

5. It is now averred, in the 8th paragraph of the report under reference, that on this 15th of June, “when Government were asked to render assistance in case of need,” it “was distinctly stated that the position of the Bank warranted the belief that only moral support was needed to restore confidence.” “The result proved this anticipation to be correct, no other sort of aid having been either asked for or required.”

6. It is needless to comment on the wide discrepancy between the telegraphic dispatch of the 15th June 1865 and the statement of the Bank on the 31st March 1866.

7. The Bank having been relieved from pressure by the prompt assurance of the Government of India that the Government of Bombay would be supported in the exercise of its discretion in the emergency described in the telegram of His Excellency the Governor, it was not unreasonably expected by the Governor General in Council, that the Bank would have employed the interval between June and December, when a second monetary crisis took place in contracting the credits, which, according to its own admission, had been so recklessly granted previous to April. The Governor General in Council is now, however, informed that, considering the nature of the advances that had been made, the Bank was of opinion that a policy of forbearance was preferable to that of pressure. The Governor General in Council has not been afforded the information which would enable him to pronounce an opinion on the soundness of that policy. But, assuming that the course pursued by the Bank was justified by the circumstances, it surely cannot be contended that it was prudent

prudent to remit a considerable sum to Calcutta from July to September, and to continue making these remittances up to the close of the year, in the face of a drain which resulted in the withdrawal of 115 lakhs from the coffers of the Bank.

8. Much complaint has been made that 11 lakhs of Calcutta bills were sent to Bombay, "with the illusory expectation of strengthening the Currency Department." But it is to be observed that, when these bills were sent, the Government of India was not aware of the great deficiency of specie in the Bank of Bombay, and that, as soon as they were informed that the bank was not in a position to cash these bills, a large remittance in coin was at once sent to Bombay by a special steamer, at a great cost to Government.

9. The Directors of the Bank of Bombay justify their purchase of bills on Calcutta, from July to December 1865, by the fact that, "as a rule, money in Calcutta can always at once be realized in Bombay at a very slight discount." It was not known in Calcutta, in December, that this state of things had altogether ceased to exist.

10. The directors deny that the "currency crisis," as they term it, was in any way "attributable to the bank or its management." His Excellency, the Governor, ascribes the difficulties of December to two causes; first, "an alteration in the general system of cotton trade, in consequence of which the cotton and up-country dealers have this year demanded cash payments, instead of selling their cotton, as formerly, on credit." "This alteration," His Excellency adds, "was sudden, and could not be foreseen." But this alteration in the mode of conducting the cotton trade caused the pressure on the Currency Department; and, if it was unforeseen by the Government of Bombay, it could not have been provided for by the Government of India.

11. The second cause of difficulty in December, to which His Excellency adverts, was the insufficient reserve of coin kept at Bombay in the Government and Treasury Departments. The Government balance on the 22nd December, which the directors describe as the worst day, was 27 lakhs in excess of the minimum, and comprised a sufficient proportion of coin, without reference to the demand for coin caused by the unforeseen alterations in the exigencies of the cotton trade.

12. With regard to the insufficiency of the reserve of coin in the Currency Department, the Governor General in Council, is aware that investments of deposits have been effected to an extent which has not been justified by the expansion which the note circulation has as yet attained.

13. For these reasons, the Government of India has never held the bank responsible for the crisis of December. All that the Governor General in Council, has alleged, with reference to this branch of the subject, is fully admitted by the directors when they say that the bank "ought not only to have been in a position of unquestionable security as regards its own affairs; but to have been able to render material and direct aid to the Government."

14. In the opinion of the Governor General in Council, it would be very unprofitable to proceed further in a controversy in the recent history of the bank. It is sufficient that it is fully and frankly admitted by the Directors in their Report that, previous to April 1865, the capital of the bank was employed "in a very imprudent manner; and, instead of having it available in the hour of need, the great bulk of it was locked up in loans and advances to parties from whom it was hopeless to expect punctual payment."

15. The embarrassments of the bank are wholly attributable to abuse of powers which ought not to have been conferred upon it by charter, and which are not possessed by the banks of Bengal and Madras. The Government of Bombay proposes immediately to remedy this grievous error by a legislative enactment; and this, with the recent removal, by the Secretary of State, of the restrictions on the qualifications for direction which unduly narrowed the field of selection for that office, will, it is hoped, ensure sounder management in the future. But the Governor General in Council, observes with regret that, notwithstanding the discontinuance by the bank, for the last 10 months, of business of an objectionable character, it has not yet retrieved its position, and that the recurrence of a commercial crisis has rendered it necessary for the Government of Bombay to come forward with renewed promises of aid, in a telegram to the Accountant General, to the following effect:—

"If need require, Government authorise you to support the bank with all Government balances and other available resources."

The Governor General in Council, though fully sharing in the desire of the Bombay Government to uphold the credit of the bank, cannot suffer the revenues of India to be indefinitely pledged to the support of an establishment of the affairs of which he is kept in ignorance. The information furnished by the Report of the Directors contains little more than is to be found in the general statements of assets and liabilities published in the newspapers. That there may be no further misapprehension on this subject, the statement which His Excellency the Governor General in Council, requires is comprised in the following particulars:—

I. The banks, firms, and individuals to which the bank is under advances.

II. The dates and amounts of such advances.

III. The

III. The securities upon which they have been made, and the sums advanced upon each security.

16. The bank should have no hesitation in furnishing these particulars, which, having regard to the peculiar circumstances at present affecting the relations of the Government of India and the bank, His Excellency the Governor General in Council, is bound to demand.

17. There remain only two points, in His Excellency the Governor's Minute, which appear to demand notice; first, that, besides the Local Government, the "Bank of Bombay is subject to the distant, and not always friendly, criticisms of more than one department of the Government of India," and that His Excellency "cannot doubt that the inconvenience, delay, and confusion of responsibility thus engendered are very serious evils."

18. The Governor General in Council, is at a loss to understand to what particular proceedings of the Government of India His Excellency the Governor refers as having caused such serious consequences, and requests that the particular cases His Excellency the Governor had under review may be brought to his notice.

19. So far as the Governor General in Council, is aware, no criticisms have been made by the Government of India on the conduct and management of the Bank of Bombay, other than those under notice in this communication, which were forced upon the Government by the "reckless" proceedings of the bank. In other respects the proceedings of the Government of India, with relation to the Bank of Bombay, have been confined to supplying the General Treasury at Bombay with remittances from other parts of India, and in occasionally making transfers of coin and bullion between the General Treasury and Currency Departments. Orders on these subjects are necessarily made in communication with the officers primarily responsible for the management of these departments, and are not, in the judgment of the Government of India, open to objection.

20. Secondly, His Excellency the Governor of Bombay urges the expediency of an amalgamation of the Government Banks. Whatever may be the advantages of such a scheme, the Governor General in Council, must decline to enter into the consideration of a subject which would at once raise the question of maintaining the existing arrangements with the Presidency Banks, which have so lately been definitively settled under the immediate direction of the Secretary of State.

I have, &c.
(signed) *E. H. Lushington,*

Secretary to the Government of India.

Simla, 13th July 1866.

TELEGRAM to the Government of India.

Secretary of State to Financial Secretary, Simla.

24 August 1866.

SEND papers referred to in paragraph 2, Financial Despatch, 151, Management Bombay Bank.

(No. 193. — Government of India. — Financial Department. — Accounts.)

To the Right Honourable Viscount *Cranborne*, Secretary of State for India.

My Lord,

Simla, 29 August 1866.

IN continuation of our Despatch dated 14th July 1866, No. 151, we have the honour to forward herewith a copy of the papers referred to in paragraph 2 thereof regarding the management of the Bank of Bombay.

We have, &c.,
(signed) *John Lawrence.*
W. R. Mansfield.
H. S. Maine.
W. Grey.
G. N. Taylor.
W. N. Massey.
H. M. Durand.

The cash and notes in hand amounted to 78 lakhs; and as many of the liabilities were in the shape of fixed deposits, the bank was not, for ordinary times, in an unfavourable position.

9. With regard to the December crisis, as far as we can gather, the charges against the bank's management are—

1. That, notwithstanding the great demand for money since October last, it did not, as it is termed, "gather up its resources," but, instead of doing so, reduced its available balances in Bombay by the purchase of bills on Calcutta.

2. That it has infringed the 5th clause of the agreement, by which all sums in excess of 40 lakhs are required to be set aside in cash, to be kept in reserve in a separate cash room on account of Government.

3. That though on the 21st December the total treasury balance was nominally 60 lakhs, the total amount of rupees in the bank was, including those belonging to Government, only 6½ lakhs, the remainder consisting of gold, notes, and small silver.

10. We shall endeavour to reply *seriatim* to these objections.

11. The 1st of July found the Bank with very many of its formerly best constituents, either insolvent or embarrassed. It was plainly seen that unless a general policy of forbearance was exercised, loans which would in all probability prove ultimately good, would, if the parties were pressed, result in immediate and heavy loss. The "gathering up of resources" was thus a thing to be done gradually, and not at once. The Bank, however, had so far done so, that when the heavy drain came upon it (115 lakhs were withdrawn between the 19th September and 13th November) it had cash enough to meet that drain without requiring or asking for assistance. Loans and discounts were much circumscribed, and, as far as could be known, they were granted only for purely commercial purposes. When in September the Bank's cash amounted to about two crores, instead of increasing local loans and discounts, a considerable sum was remitted to Calcutta at a very profitable rate. The Government of India have found fault with this course, but it must be borne in mind that the business was a safe and profitable one, and that, as a rule, money in Calcutta can always at once be realised in Bombay at a very slight discount.

12. To revert to precise figures: on the 30th June the amount lent from the head office was 321 lakhs, and on the 30th December 313 lakhs. Of the former amount 79 lakhs had been realised up to the 30th December, and 126 were overdue. The process of recovery has, it must be admitted, been slow, but then the very great delay attendant on all legal proceedings in Bombay, and the fact that the largest of the bank's debtors have not yet realised the proceeds of the current year's investments in cotton and other produce, must not be overlooked. We do not suppose that by the term "gathering up of resources" it is intended to mean that the sums collected during this interval should have been left unemployed during the interval referred to. The directors, in the interest of the shareholders, considered it necessary to employ this money in the safest and most profitable manner, and this they did by granting safe loans at short dates.

13. The position of the bank on its worst day, viz., the 22nd December, was as follows:—

	Rupees.
Government balance - - - - -	57,98,117
Other liabilities - - - - -	1,18,43,153
Cash and notes in hand - - -	1,76,41,270
	56,20,556

or nearly one-third of total liabilities. The Government balance had been increased by the bank having had to discount about 11 lakhs of Calcutta bills which had been sent with the illusory expectation of strengthening the currency department. During this period the bank not only refrained from sending in notes for cash, but paid away even half rupees for notes, so as to afford the mint time to coin. Much stress has been laid on the fact that the total bank's balance was less than the amount of the total treasury balance. Setting aside the question of the 30 lakhs of the latter being viewed by the bank in the light of a fixed deposit, it must be evident that, considering the total amount of actual silver coin in the bank was so small, the Government could not have drawn on the bank with a view to strengthening the currency.

14. On a careful review of the whole circumstances, we have come to the conclusion that the currency crisis in December last was in no way attributable to the bank or its management. In expressing this opinion, we must add, that although the position of the bank on this occasion was not one of danger as regards itself, yet it was not as strong as either the Government or the public had a right to expect. It ought not only to have been in a position of unquestionable security as regards its own affairs, but to have been able to render material and direct aid to the Government. That it was not able to do so was owing to the greater portion of its capital being unavailable in consequence of the imprudence that characterised

characterised the management prior to April last, and not in consequence of anything that subsequently took place.

15. The supposed infringement of the agreement consists apparently in the Bank not having kept the surplus of the Government balance above 40 lakhs in actual coined rupees. We confess to being somewhat astonished at such an objection having been raised. It is only necessary for us to remark that the word used in the agreement is "cash;" that notes and cash must to all intents and purposes be held to be the same; that even if it were otherwise, the bank would have had no difficulty in presenting their notes for rupees, and that the result of doing so would simply have been to increase the difficulties under which the Currency Department was then labouring.

16. The bank can in no way be held responsible for the fact that out of the 60 lakhs comprising the treasury balance only six and a half were in rupees. As far as it was concerned, nothing could have been easier than to present notes for rupees. While on this subject we may remark that the directors consider they are entitled to the free use of 30 lakhs, and that, inasmuch as Government when they draw on this sum pay the bank as on an over-draft, they are entitled to treat that amount as a fixed deposit. The sum allowed for expenses is not nearly sufficient to pay the required staff; and if the bank is not to be allowed the free use of this 30 lakhs, the keeping of the Government accounts would result in a loss. When the Government balance exceeds 40 lakhs, copper and small coins in hand are always considered as part of the surplus cash held under clause 5. This money, if it can be so called, is of no use whatever to the bank, as has been frequently represented; and we consider that it should be kept in the hands of the Currency Department, and not with the bank.

17. With regard to the examination the Government of India direct should be made into the affairs of the bank, we beg to annex a statement showing the fortnightly position of the bank with respect to assets and liabilities during the year 1865. We beg further to report that the total amount of loans and discounts outstanding on the 30th December at both the head office and branches was Rs. 381 lakhs, that out of this Rs. 163 lakhs are overdue, and that 30 lakhs have, after a careful and impartial scrutiny, been set down as the amount of of the probable eventual losses. From the balance sheet, a copy of which is annexed, it will be observed, the bank will, after allowing for all losses, and after having paid a half-year's dividend at the rate of eight per cent. per annum, be possessed of about three lakhs in excess of its capital.

18. If any investigation in addition to that recently made by the auditors appointed by the shareholders is deemed necessary, we would suggest that it be conducted by competent accountants wholly unconnected with the past and present management, especially if such investigation is to have for its object how far each individual director, whether official or elected, is responsible for the losses that have been sustained. We have reason to believe that the present directors would have no objection to this course being adopted solely for the information of Government, and that they court the fullest enquiry into the report of the auditors appointed by the shareholders.

19. The operations of the bank, not only during the past six but during the past 10 months, will, we believe, bear the strictest scrutiny; and there is no prospect of the loss of a rupee, or a single new transaction entered into during that period.

20. With regard to the future, the only practical difference between the charter granted to this bank and that granted to the Bank of Bengal is that contained in Section XXXII. of Bombay Act X. of 1863, authorizing advances being made on shares; and we have reason to believe that the directors would have no objection to its being expunged, as for the last 10 months this power has never been made use of. A copy of the terms on which the Bank of Bengal conducts the business of Government up-country is annexed, and we have no doubt that the Bank of Bombay would be willing to accept the same conditions.

21. There is one point to which we deem it necessary to allude, and that is the mode in which the current business of the bank is for the future to be conducted. It is our belief that had the directors, both official and elected, kept themselves acquainted with the state of affairs during 1864 and the early part of 1865, a great number of the imprudent loans that were then made would never have been granted. For some months past almost every application for either a loan or discount has been submitted to the full board of directors; and in order that the duties and responsibilities of the secretary may be clearly understood, and each director kept fully informed of what is going on, the annexed rules have been prepared.

22. Our colleague, the Honourable Colonel Marriott, left before this report was completed. At his request, we beg to submit a minute he drew up previous to his departure, together with a letter from Mr. Hannay, the chairman of the bank, commenting on the criticisms contained in it.

FORTNIGHTLY STATEMENT of CASH BALANCES and LIABILITIES, &c., of the Bank of Bombay at its Head office, during the year 1865.

Referred to in paragraph 17 of the report of the Government Directors of the Bank.

DATE.	Government Balance including Reserve.	Total Cash Balance Bank and Government.	Liabilities payable on demand.	Fixed Deposits.
1865.	Lakhs.	Lakhs.	Lakhs.	Lakhs.
3 January - - - - -	46	244	430	18
14 " - - - - -	50	254	500	19
4 February - - - - -	52	263	558	20
18 " - - - - -	71	224	527	20
4 March - - - - -	55	174	461	25
18 " - - - - -	45	157	420	25
1 April - - - - -	37	180	416	27
15 " - - - - -	35	206	415	31
29 " - - - - -	53	207	418	34
13 May - - - - -	39	161	346	46
3 June - - - - -	64	168	347	53
17 " - - - - -	53	94	240	40
1 July - - - - -	64	114	237	53
15 " - - - - -	51	136	250	50
29 " - - - - -	48	149	264	51
12 August - - - - -	40	158	262	52
26 " - - - - -	34	186	312	47
9 September - - - - -	47	179	321	48
23 " - - - - -	58	187	342	48
7 October - - - - -	72	126	325	42
21 " - - - - -	67	71	273	42
4 November - - - - -	64	65	233	45
18 " - - - - -	46	65	218	44
2 December - - - - -	55	85	231	44
16 " - - - - -	68	72	209	44
30 " - - - - -	69	91	214	44

30 June 1865. Amount lent at Head Office outstanding at this date - - -	Rs.
30th December 1865. Ditto - ditto - - - ditto - - -	321 lakhs.
" (Of which in Past due Bills - - 72 lakhs.)	313 "
" (" in Loans and Cash credit overdue - 54 lakhs.)	
Amount of probable eventual loss at Head Office and Branches as estimated by Directors - - - - -	30 "
(Say 321 lakhs.)	

STATEMENT of CASH on hand, and LIABILITIES, &c., at the Branches of the Bank of Bombay on 30th June and 30th December 1865.

Date.	Cash.	Liabilities.	Loans, Cash Credits, and Discounts.
1865.	Lakhs.	Lakhs.	Lakhs.
30 June - - - - -	52	52	73 (Of which in past due Bills 13 lakhs.)
30 December - - - - -	44	48	67 (Of which in past due Bills 37 lakhs.)

(Enclosure referred to in paragraph 17 of the Report of the Government Directors of the Bank.)

BANK OF BOMBAY.

Dr. STATEMENT of AFFAIRS on 31st December 1865. *Cr.*

	<i>Rs.</i>		<i>Rs.</i>
To Proprietors' Capital - -	1,04,50,000	By Loans and Cash Credits at Head Office and Branches on Deposit of Securities -	1,62,34,825
" " New Capital -	1,04,03,000	" Bills discounted - -	2,19,84,173
" Bank Notes and Post Bills in circulation at Head Office and Branches - -	2,45,420	" Dead Stock - -	7,53,816
" Deposit Accounts, Receipts, and all other Liabilities -	3,11,83,019	" Stamps - -	12,456
" Reserve Fund, including Profits for year - -	41,24,950	" Balances with Correspondents - -	22,86,331
		" Balances with Branches -	56,68,767
		" Cash and Currency Notes	94,66,021
<i>Rs.</i>	5,64,06,389	<i>Rs.</i>	5,64,06,389

ABSTRACT of PROFIT and LOSS for Half-year ending 31st December 1865.

Dr. *Cr.*

	<i>Rs.</i>		<i>Rs.</i>
To Charges at Head Office - -	1,49,759	By Discount Account at Head Office and Branches - -	6,17,313
" do. Branches - -	1,90,266	" Exchange Account at Head Office and Branches - -	2,15,520
" Interest paid, Head Office - -	2,08,185	" Interest Received Account at Head Office and Branches -	7,39,082
" do. Branches - -	78,952	" Commission Account at Head Office and Branches -	1,50,138
" Auditors' Allowance - -	1,500		
" Stationery - -	7,510		
" Balance of Profit and Loss for half-year - -	10,85,881		
<i>Rs.</i>	17,22,053	<i>Rs.</i>	17,22,053

Dr. PROFIT and LOSS ACCOUNT for 1865. *Cr.*

	<i>Rs.</i>		<i>Rs.</i>
To Dividend for half-year ending 31st December 1865, at the rate of 8 per cent. per annum -	8,36,000	By Balance of Reserve on 31st December 1864, including Rs. 152 since added -	10,56,983
" Balance of Reserve Fund -	10,56,983	" Profits for year ending 31st December 1865 -	30,67,967
" do. Profit and Loss at this date - -	22,31,967		
<i>Rs.</i>	41,24,950	<i>Rs.</i>	41,24,950

D. Maclean,
Officiating Chief Accountant.

By order of the Board of Directors,
D. Robertson,
Officiating Secretary and Treasurer.

We hereby certify that we have this day completed an audit of the books and accounts of the Bank of Bombay for the half-year ending 31st December 1865, and in the course of it the following have come under our examination:—

Cash and Notes in the Treasury with the Shroff and in the Castle.
Government Paper and Share Certificates lodged for safe custody.
Government Paper and Share Certificates held against advances.
Current Local Bills discounted and Past Due Bills.

These we have carefully compared with the Books in which they are recorded, and are satisfied as to their correctness. With regard to the Government Securities and Share Certificates held against advances, and the Past Due Bills, we are satisfied that every possible care has been taken for the protection of the interests of the bank.

We have also minutely examined the "Balance Sheet" and "Profit and Loss Account," including the accounts of the various Branches, and are satisfied that the statement of affairs laid before us represents the true position of the bank.

Bombay,
1 February 1866. }

J. G. Tyndall.
Charles E. Benn. } Auditors.

(Dated 20th March 1866.)

RULES for the conduct of business of the Bank of Bombay, referred to in paragraph 21 of the Report of the Government Directors of the Bank.

THE powers of the Secretary and Treasurer are to be as follows:—

1. That the internal discipline of the Bank is considered as being particularly the province of the Secretary, but that all appointments or dismissals, or regulations of salary, shall have the sanction of a weekly committee, two to be a quorum, and the President to be a member of all committees; this not being understood to apply to salaries under 150 rupees per mensem.

2. That the Secretary has power to discount good bank bills at his discretion, making a return weekly to the committee of his transactions, and be authorised to discount mercantile bills of undoubted class up to three lakhs; any further amount to be submitted to the committee for sanction.

3. That the Secretary has power to grant temporary advances to banks for short periods to the extent of five lakhs, which sum shall not be exceeded without the sanction of the weekly committee. In the case of private houses of undoubted standing and credit constituents of the bank, an advance to two lakhs may be given, but not exceeded without the sanction as above. Maximum period, three months.

4. That all applications for loans and renewal of loans be submitted to the weekly committee.

5. Purchase of Hoondies for supplying the branches to be left to the discretion of the Secretary, as also the purchase and sale of bills in Calcutta or Madras; it being understood that he is so to arrange as to be able to sell and provide himself with funds to the extent of half the amount employed.

6. To have discretion to buy and sell gold or silver bullion to amount not exceeding seven lakhs. Further amounts to be sanctioned by the committee.

7. Without the sanction of the Board, the Secretary is not to commit the bank to any trust or assignment, but he may attend the meetings with the sanction of the weekly committee, and report progress.

8. It is to be fully understood that the amounts before-mentioned as limits in cases of loans, discounts, or temporary advances, are to comprise the entire uncovered or undivided liability to the bank at any one time.

The following to be laid before the Board at their weekly meetings:—

Weekly state of the bank's balances at debit or credit of the Banks of Bengal and Madras.

List of Bills discounted and Loans granted.

Applications for renewals.

List of Accounts opened and closed weekly.

These rules to have effect from next Board meeting.

(Dated 28th March 1866.)

MINUTE by the Honourable Colonel *W. F. Marriott*, Government Director of the Bombay Bank.

THE allegations against the Bank are:—

1stly. That on certain occasions (two particular occasions of June and December last year are implied) of urgent demand for relief of the Treasury and Currency Departments of the Presidency, occasioned by monetary convulsions, the Bank of Bombay, so far from being in a condition to afford the aid which might reasonably have been expected from an establishment which held the Treasury balances, was itself in circumstances of embarrassment.

2ndly. That allowing the embarrassment of June to be accounted for by the confusion which followed the collapse of the extraordinary speculations of 1864, yet that in the six months which followed that critical state of the bank, no substantial improvement has taken place in the condition of its affairs, or its management.

3rdly. That, notwithstanding the great demand for money since October last, it has not only omitted to gather up its resources, but reduced its available balances by purchase of Bills on Calcutta.

4thly. That it has not observed the 5th clause of its agreement.

5thly. That on the 21st December, although there were nominally 60 lakhs of rupees in the treasury, the total amount of whole rupees in the bank, including those belonging to Government, was only six and a half lakhs, the remainder consisting of gold, notes, and

small silver. For the reasons implied in these allegations we are to investigate the assets and floating liabilities of the bank and its transactions during the past year; and we are to advise Government as to the conditions of a revised Bank Charter Act, and of a revised agreement between the bank and the Government.

2. The nature of the blame attributed to the bank in the fourth and fifth instances above stated is uncertain. I will notice these first.

3. It is alleged that it does not appear that the bank has fulfilled its agreement that in respect of the Government balances in excess of 40 lakhs, it "shall forthwith either set aside such excess or surplus in cash to be kept in a separate cash-room, or place of deposit, on account of the said Government of Bombay, or shall at their option" (the bank directors' option) "invest such excess or surplus on account of the Government of Bombay either in the purchase of Government securities, or railway debentures; guaranteed by Government," &c., &c.

4. I do not know what is the evidence that this agreement has not been observed. There is reason, however, to suppose, strange as the supposition seems, that Mr. Secretary Lushington's letter assumes that "set aside in cash" means "set aside in silver coin." To say nothing of the unreasonableness of so using the term cash, it must be remembered that, whilst the Currency Department maintains such small reserves of silver coin as of late, it would have been impossible at times for the bank to fulfil its agreement in that sense because the Government reserve was drawn upon to meet the demand for conversion of notes. Moreover, as the bank is expressly empowered to convert the cash reserve into Government securities, or guaranteed railway debentures, it seems *à fortiori* unreasonable to suppose the prohibition to hold it in Government notes. Whether it be legitimate to hold the reserve in gold coin, and copper coin and small silver, is a separate question. I apprehend that coins which are not a legal tender are not part of the cash balance either of the bank or treasury any more than so much bullion, that these coins are not "cash," and that the bank has so far violated the 5th clause of its agreement. But if so, the Government is the author of the wrong. If the Government reckons its gold and copper, and small silver coin, as part of its cash balance with the bank to be counted in the 40 lacs of which the bank is by agreement to have the use, it cannot consistently object to these being placed in the Government reserve. But I believe both practices to be wrong. Nothing which is not a legal tender should be reckoned as part of the treasury balance, or as part of the cash balance of the bank. Copper and small silver are legal tenders in small quantities for the fractions of a rupee, and therefore so much of these as is acquired by, and required for, legal tenders in current transactions is properly part of the bank's cash balance. But copper and small silver coin stored by Government and the gold coin should be kept as any other Government treasure is kept, and should not be counted as part of the treasury balance with the bank, or of the bank's cash balance.

5. Again, as respects the fifth allegation, it is not evident in what way it touches the bank's management, excepting on the supposition that it was the bank's duty to have maintained the reserve in silver coin, or that the bank has some kind of joint responsibility with the Issue Department to maintain a due supply of silver coin. The first supposition I have answered above. In discussing the second supposition I shall answer the question in the 13th paragraph of the Honourable Mr. Erskine's minute, as to whether the bank is in any way jointly responsible for the sufficiency of the reserves in the Currency Department, and whether it admits its responsibility.

6. The bank, I am informed, acknowledge no responsibility of the kind. The agreement between the bank and the Government (clauses 10 to 13) is that the bank shall be the agent of the Issue Department, and shall give notes for coin, for silver bullion, and for gold coin of the Government of India, according to the provisions of Section IX. of Act XIX. of 1861, and the bank agrees to convert these notes on demand; and it is provided that there shall be a settlement between the bank and Issue Department on these accounts at least twice a week. But, in fact, no such account between the bank and the Issue Department, as supposed by the agreement, is kept, and, according to the actual practice, there is no settlement to make. As respects the giving notes for silver bullion, the agency of the bank is not used. The bullion goes to the Mint, and is paid for by Mint certificates paid at the bank out of the treasury balance, in the same manner as any other draft on the treasury would be paid. If any one demands notes for coin, or coin for notes, the bank satisfies him without rendering any account of the transaction to the Issue Department. Only when the bank needs notes, it sends coin to the Issue Department to be exchanged; and when it needs coin, it sends notes to be exchanged.

7. Practically, therefore, the bank's demand for notes, or for coin in exchange for notes, is the sum of the general demand, and the Issue (or Currency) Department would gain no useful information by receiving a detailed account of the individual demands. All the assistance which the bank, if jointly responsible, could give would be by warnings founded on its commercial experience of the occasions and extent of contraction of the paper currency. It seems to me so clear that there ought to be no dependence on commercial foresight, and ought to be no need for such aid, that I cannot but conclude it on the whole advantageous that the bank should repudiate any joint responsibility for assuring the convertibility of the notes. This convertibility ought not to depend upon the constant watchfulness

watchfulness and foresight of any currency commissioner, bank director, or other such persons. The principle on which the convertibility of paper currency ought to be maintained is the simple one of keeping always such amount of coin (the whole sum if need be) as experience shows to be amply sufficient. The saving to the State from a portion of the notes being unsecured by coin is a merely incidental advantage derived from the fact that there is always some point below which it is practically certain that the note circulation will not fall, and that to keep a reserve of coins to meet a practically impossible demand would be only wasteful. But the mere fact that from any cause the contraction of the note circulation has ever approached the point at which the coin reserves would be insufficient is proof that the principle has been violated; and the remedy for the future is not to be sought in financial dexterity, but in substantial increase of the coin reserves in the Currency Department.

8. The foregoing inquiry has led me to consider the departure from the procedure strictly intended by the agreement, clauses 10 to 13. I think that the omission of any direct account between the Currency Department and its agency (the bank at present) tends indirectly to a confusion of the functions of the bank, the treasury, and the Currency Department, and to a view of their relations which regards the treasury balance and the coin in the bank's hands as an ordinary resource of the Currency Department, and this must affect injuriously the administration of that department.

9. Having thus noticed the allegations, of which the purport is somewhat doubtful, together with certain considerations on the relations between the bank and Currency Department to which I was necessarily led, I turn to the first allegation, that on two occasions of urgent demand for relief of the Treasury and Currency Department, the bank of Bombay, so far from being in a condition to afford aid, was itself in circumstances of embarrassment.

In thus putting the Treasury and Currency Departments together, I follow the words of Mr. Secretary Lushington's letter; but herein seems to me the objectionable confusion which I have mentioned above. I am not aware that aid was ever required from the bank by the treasury, excepting in so far as the Currency Department depended on the treasury for the means of converting notes. Help to the treasury ought to mean help with money in any shape. Help to the Currency Department is a different thing, meaning only supplies of silver coin. Were I inclined to fence on behalf of the bank, I might say that the bank's management is not to be tested by its command of silver coin, but of money. But I think that it must be admitted that the bank at that time was not in a position to give aid in any shape; that if it had held a larger cash balance it would have had a proportionally larger supply of coin; and it must be confessed that, whether the proof offered by Mr. Secretary Lushington's letter be defective or not, the fact to be proved that the bank was not in a position to give any aid, but was itself in a weak position, cannot be disputed. On the 22nd December the bank balance, including the Government reserve, was *Rs.* 56,20,556
The Government reserve was - - - - - „ 17,98,117

So that the proper bank cash balance was - - - - - „ 38,22,439

The liabilities payable on demand, excluding the Government balance altogether, were 1,18,43,153 rupees, which, reckoning in integral lakhs, was distributed as follows:—

	<i>Rupees.</i>
Railway deposits - - - - -	35,00,000
Balance of other banks - - - - -	35,00,000
First-class deposits, <i>i. e.</i> , deposits severally exceeding one lakh, being for the most part the balances of large trading firms - -	35,00,000
Other deposits - - - - -	13,00,000

Considering that this was a time of pressing demand for money for the purchase of cotton, this was not a strong position, to say the least. About nineteen lakhs held at Calcutta could, it is stated, have been realized in about three days.

10. It is further alleged by the Government of India, that no substantial improvement has been made in the condition of the bank's affairs since June last, and that notwithstanding the great demand for money since October, the bank has not only omitted to gather up its resources, but has unnecessarily reduced its available balance by purchase of bills on Calcutta. "Gathering up its resources" means, I suppose, "reducing its advances." The ordinary means for doing this without giving invidious preferences is, by raising the rate of discount. The rates were raised between 1st and 12th October from nine to 12 for discount of private bills, and from 7 to 10 for loans on Government securities, and have remained unchanged from that date. Although a large portion of our advances are of such a character, that no increase of the rate of discount and interest would lead to repayment at due dates, I think further inquiry is needed in special relation to the question whether increased rates would not have assisted to the recovery of a portion of the advances the repayment of which is resisted at present.

11. The principal test of the bank's management since June last, is to be found in its dealing with the large mass of objectionable advances which were then irrecoverable at

due dates. The bank, I am told, has adopted a policy of forbearance. This policy must be judged by its fruit in gradual recovery of advances immediately irrecoverable. I find that the amount lent by the bank at its head office, and outstanding on 30th June 1865, was 3,21,85,884 rupees; and on 30th December 1865, was 3,13,93,767 rupees. But it happens that a certain intended classification of the latter sum sent to me yesterday afternoon, has been made for the 15th December, when the sum was in round numbers, 321 lakhs, or nearly the same as on 30th June. The classified statement is appended, and shows that of the 321 lakhs, 242 are identical with that portion of the outstandings of June, 79 being new advances since that date. It can hardly be supposed, that out of the 321 lakhs outstanding in June, there was not nearly as much as 79 lakhs of a perfectly unobjectionable character recoverable at due dates; but if so, it seems that no progress whatever has been made in recovery of the large advances of an objectionable character outstanding in June.

12. It does not seem likely from the foregoing statement, that the "policy of forbearance" has borne much fruit yet. It may be that the time for gathering it has not yet come; but there is a strong presumptive case for further inquiry on this point, which I commend to my colleagues.

13. Whilst I confess that my inquiry is so imperfect, that if I had the opportunity of further prosecution of it, I would not record any conclusion at present; yet I think it right to say that my inquiry, so far as it goes, tends rather to confirm the Government of India's assumption, that the state of the bank affairs was not much better in December than in June. My inquiries have elicited no proof that we are now in a position to recover at pleasure at due dates any larger portion of our advances than we were then.

14. I find, moreover, that of the advances made to mercantile firms and traders, as much as 15 lakhs have been given to a single person, and that no reduction of these large advances have in some instances been made since June. This point of the extent of the advances to single firms or persons, and the bank's action since June in relation thereto, is a point on which I should have wished to inquire further.

15. In conclusion, we have to advise Government as to the conditions of a revised Bank Charter Act, and of a revised agreement between the bank and Government.

16. My inquiries have led me to the conclusion, that our present difficulties and probable losses are not fairly due to want of commercial judgment and foresight, but to violation of the principles on which a commercial bank should work. It is not so much that the bank has made unsafe commercial advances, or supported failing commercial houses, as that it has diverted its capital from commerce in an illegitimate manner. There appears to me an inconsistency in the Bank Charter, which has furthered this illegitimate operation. The XXXIV. Section of the Bank Charter expressly prohibits loans on the security of immovable property. The principle of this very proper regulation is, that the general purpose of a commercial bank is to utilise the floating capital for purposes of trade, that the floating capital in money represents the floating capital in commodities, and that the advances of the former are made on the security of the latter, and that to issue the former on the security of fixed capital is to create an unfounded amount of floating capital, the fictitious character of which will surely make itself felt in the subsequent inability to realise the securities. The provision in the first clause of Section XXXII. for loans on the security of any public companies, is quite inconsistent with the foregoing in principle.

17. Very large loans have been made to persons wholly unconnected with trade and without any security at all, and sometimes when it was known that they were required for no other purpose than gambling in the share market. Some of the loans seem of doubtful legality for want of security, for I suppose that an enactment which specifies admissible securities must be held to exclude the case of no security. The granting cash credits under clause 6 of Section XXXII. appears to be the only strictly legal form of loan without security.

18. As respect advances to merchants for trade purposes, there should be great freedom of action; and I should be satisfied with personal security rather indicating by the regulation thereof, the principle that such advances are made virtually on the security of the trade they support than attempting to give more precise conditions. It is in respect of accommodation to non-trading constituents, which should be given to a moderate extent, although it is not the principal business of the bank, that the pledge of certainly convertible securities should be required.

19. The provision for granting cash credits is given in a peculiar manner. Clause 6 of Section XXXII. gives as part of the bank's business, "the receiving of deposits, keeping cash accounts, and granting cash credits," as if there were some natural connection between receiving deposits and granting cash credits, and as if there were any well-established restrictions on cash credits; whereas a cash credit is only one mode of loan, and the restrictions on loans imposed by clause 1, can be superseded by the bank and its customers using the form of a cash credit.

20. The changes which I believe needful are to alter the present 1st clause of Section XXXII. to the following:—

“The lending money, or granting cash credits, on Government securities, or on the security of shares in railways, the interest whereon shall have been guaranteed by Government.”

To put the 2nd and 7th clauses first, as being the more leading business, and to add thereafter another clause to the following general effect:—

“The granting loans or making advances to public trading firms for the purposes of trade, on personal security, for periods not exceeding three months.”

To omit the mention of cash credits in the present 6th clause.

21. Lastly, it remains to notice the conditions of a revised agreement between the bank and Government.

I do not see what advantage is derived from the bank's agency for the issue department. It only helps to a confusion of responsibility, as I have above stated. I do not see why the issue department should not be its own agent. The part of the agreement which relates to the issue agency being omitted, there only remains the condition on which the bank should do the treasury business. I have not had opportunity for inquiry as to the sufficiency of the remuneration provided by the existing agreement. But this is only a question of amount. The plan appears reasonable and good. I would add, however, that the bank has a reasonable expectation of being entrusted with the treasury balances wherever it establishes branches, as well as at the Presidency Town.

22. This minute does not embrace so complete inquiry of the bank's transactions as I should have desired to make, had I the opportunity. I was appointed a director in last month, and received the Government's present instructions little more than a week ago, when making preparation for departure to England. Under other circumstances any haste in treating this matter would be inexcusable. But the principles which guide my observations have not been hastily adopted. I have given much attention to the subject generally, and I am, therefore, unwilling to leave the country without recording my opinion.

I shall be much obliged by my colleagues submitting this minute with their report.

STATEMENT OF MONEY LENT by the Bank of Bombay, at its Head Office, and outstanding on 15th December 1865.

Total Amount lent at Head Office outstanding 15th December 1865 - - 321 Lakhs, which was lent as follows:—

Banks in Sums.		Mercantile Firms and other Traders in Sums.		Non-Traders in Sums.	
Over a Lakh.	Under a Lakh.	Over a Lakh.	Under a Lakh.	Over a Lakh.	Under a Lakh.
25½	2½	188	60	28½	15½

And granted to

Number of Banks.		Number of Mercantile Firms and Traders.		Number of Non-Traders.	
Over a Lakh.	Under a Lakh.	Over a Lakh.	Under a Lakh.	Over a Lakh.	Under a Lakh.
12	6	68	276	38	133

Total Amount of New Loans, new Cash Credits, and Fresh Discounts, } 79 Lakhs.
1st July to 30th December 1865 - - - - - }

Note.—With respect to the number of persons, I find that all the names to a single loan are counted severally. This explains the statement above that 38 non-traders have received loans severally exceeding one lakh, and that yet the total sum is only 28½ lakhs.

W. F. Marriott.

(Dated 29th March 1866.)

From *R. Hannay, Esq.*, to *F. S. Chapman, Esq.*, Chief Secretary to Government,
Bombay.

YESTERDAY (mail day), the Honourable Colonel Marriott forwarded to me his minute on the Bank of Bombay, so that I might forward it to you with any remark I might have to make.

I will pass over the first eight paragraphs of the minute, as these refer almost entirely to the Currency Department. Paragraph 9 says—"If it had held a larger cash balance, it would have had a proportionally larger supply of coin." I cannot agree; for if the bank had had a larger cash balance, seeing there was a desire for cash instead of notes, it is almost certain that it would have had a larger supply of notes, and not of coin. Without going into each point, however, I shall make a few general remarks on Colonel Marriott's condemnation of the management of the bank.

1st. His starting point is the 30th June, but it must be borne in mind that this was the day before the crisis reached its height, the 1st July being settling day. Colonel Marriott writes as if 321 lakhs of outstandings were due on that day, which was, of course, very far from being the case; and as the effect of time-bargain settlement on many of the bank's old mercantile constituents, could not be known till their loans or drafts became due, his arguments are in many points unreasonable.

2nd. Had the policy of forbearance not been adopted, there cannot be a doubt but that many men, from whom we now expect full payment and interest, would have had to have stopped payment, and the bank would thus have had at once to estimate what we consider good debts now, as an immediate loss of 50 per cent. or more.

3rd. Colonel Marriott thinks that we should have collected more than 79 lakhs before the 31st December. My estimate in July was that we could hardly expect to recover more than 50 lakhs in the same period. He ignores the fact that upwards of fifty of the bank's old constituents had stopped payment, and that there was no prospect of our getting any dividends in these estates, or on loans to institutions winding-up, within six months. He seems to be unaware of the difficulty attending the winding-up of estates and companies. His idea also seems to be that said 79 lakhs should have been unprofitably kept in cash. I fear the shareholders would have been of a different opinion; and it was the bounden duty of the directors to make the best use they could of what money they could collect. This was done by granting safe loans at short dates; the result was a profit to shareholders on 31st December of nearly 11 lakhs.

4th. I will not say the bank was right in giving such large loans to individuals and firms in 1864. Although the then directors, as things have turned out, were wrong, there is much to be said for them. Bombay had money poured into it from all quarters, the capital of the bank was again doubled, and competition was so great that I imagine the directors would have been much blamed by shareholders had they kept four crores idle. Those firms, individuals and companies, who had large loans granted, had great reputation for wealth, and were then wealthy indeed. The chief mistake was, in my opinion, the increase of capital at shareholders' request. The money acquired in this way had to be used, and this bank, in conjunction with all the other institutions of the place, thus helped to foster a spirit of mad speculation.

5th. Colonel Marriott's theory of doing good to the bank by greatly increasing the rates of discount cannot have been reflected upon. A falser step could not have been taken, and commercial men were of one opinion on the point. Such a proceeding would have at once brought matters to a crisis, and closed the Currency Department. Natives would for investment in the bazaar have cashed every note they could have laid hands upon, and they would also have withdrawn their deposits. A high rate would have checked applications for discount, it is true, but this was not needed, as we did not discount a tithe of the applications. Increased rates on renewals would, instead of enabling us to collect more money, have caused many of our debtors to succumb, and thus greatly have increased the ascertained losses of the bank.

6th. I have in former communications commented on the state of the bank on 22nd December; but the use Colonel Marriott makes of figures compels me to say a few words more. It was originally intended that all the banks should then close for the Christmas holidays; but, after a consultation with several intelligent bank managers, it was unanimously resolved, looking at the serious state of the matters, that the idea should be given up; but natives had prepared for the closing, and the state of the bank on that day was (*sic*) in consequence of this. From the knowledge the directors had of the then state of matters, they were confident that the worst was over, and they were right, as the position of the bank improved from that day. (I learn for the first time that it is the duty of the bank to keep a large sum idle in case the Currency Department need help!) On that day cash was nominally more than one-fourth of liabilities, which in England is considered fair banking; and we were confident that we could not be called upon for a twentieth part of our deposits, for there was no panic. The banks on that day had only

only 35 lakhs in all, and they could not have gone lower, as all of them were then under a point of safety. The Oriental Bank alone, has for several years past had an average balance of 35 lakhs. During the crisis, the Oriental, Commercial, and Asiatic, had each about that amount at their credit, and on the 22nd December their balances, were as follows:—

											<i>Rs.</i>
Oriental Bank	-	-	-	-	-	-	-	-	-	-	8,60,000
Asiatic Bank	-	-	-	-	-	-	-	-	-	-	1,09,000
Commercial Bank	-	-	-	-	-	-	-	-	-	-	Nil.

On that day the banks owed the Bank of Bombay, 8 lakhs. We were bound to assist those who stood by us when the Agra and Mercantile Banks withdrew their balances, and a general withdrawal of deposits was imminent.

7th. The bank cannot admit that money remitted to Calcutta was locked up, as we could have drawn against it at any time, and would have done so then had we seen any necessity for so doing.

8th. I need not discuss Colonel Marriott's ideas with reference to alterations in the bank's charter. They are evidently the proposals of a theorist without any practical knowledge of business or commercial matters; and were they adopted the bank might as soon as possible reduce its capital to 25 lakhs, hire a small room in Meadow-street, retain the services of an under assistant and two clerks, and hope occasionally to be able to pay four per cent. on the reduced capital.

The only alteration that seems to me called for in the charter is the expunging of the last six words, "or other public companies in India," in clause 1st, paragraph 32; and even this is unnecessary, as it has been a dead letter for some time past.

(Dated 29th May 1866.)

MINUTE by His Excellency the Governor.

Copies should be submitted to the Government of India and Secretary of State with a list of the bank directors, Government and non-official, and secretaries or acting secretaries during the years 1863 to 1866, showing the dates when they joined and quitted the direction or secretaryship.

2. As regards the past, I would observe that during the two years ending April 1865, the management of the bank appears to have been extremely reckless, and that this recklessness was shown, not only in the general management of the bank and in the profuse loans which were made on insufficient security, but in the abrogation of many wholesome rules and checks which were imposed by former boards of directors for the regulation of the conduct of business by themselves and their secretary.

3. Such at least is the impression I have derived from comparing the working system of the bank, as described to me by Mr. Ellis when he was a Government director six years ago, with the system Mr. Chapman informs me he found in force, when he became a director last year.

4. On inquiring who is to be blamed, we are met with the usual difficulty of fixing the responsibility on any one of the body of several directors. None of the then directors nor their secretary are now in the country. The most influential director of that time was, I believe, Mr. Birch, the then Accountant General and chairman of the bank, who enjoyed a higher reputation than any servant of Government here, or, I believe, in the other Presidencies, for his practical knowledge of banking and finance. He was like all officers in the account department, appointed by, and directly responsible to, the Government of India.

5. The first question that suggests itself as regards that period is, whether any of the ex-directors of 1864 and 1865 can be individually held responsible to Government for the bad management of the bank during that period; and here I confess I cannot see my way to any practical action.

6. Whatever opinions we may form either of the general management of the bank or of the conduct of individuals, I find nothing tangible in the shape of impropriety or illegality which we could charge against the collective body; and if we had, I do not see how we could fix the responsibility for it either on the Government directors as a body, or on any one of them. It may doubtless be said, as of most similar bodies under similar circumstances, that some of them were careless or inefficient, some actively mischievous, and the action of the whole reckless and ill-judged, but if this is admitted, we are still as far off as ever from being able to fix any personal responsibility.

7. The next practical question is, how can a repetition of similar bad management be prevented? And here I see no practical safeguard save in the appointment of the best and most trustworthy directors who can be found. We, as a Government, can do little or nothing to enforce on the shareholders greater care or better judgment in this

respect, nor do I think it is required. If the selection of non-official directors in 1863 to 1865 seems to us now to have been unfortunate, it is certain it was not so regarded at the time by the shareholders nor by the general commercial public. Many of the elections were, I believe, contested; but during the days of prosperity, no doubts were, as far as I know, expressed in any audible form as to the good management of the bank's concerns; there was nothing to rouse the most vigilant shareholder, unless he had then known all we now know, and had been thoroughly acquainted with the principles of banking; and even in that case he would have had to overcome the most powerful opposition to any doubt of the soundness of the bank's policy, which was naturally popular with the whole of the speculating community. With the Government directors of course, the case was different. But I do not know that, in the case of any of them, the Government of the day could have found a known better man to put in the place of any of the gentlemen whose names appear on the list of directors. Government was hampered by the restriction (since withdrawn by the Secretary of State) which excluded from the official direction all who possessed bank shares of their own. This was often tantamount to excluding all who knew anything of banking. I am quite sure that in the then state of our knowledge, any proposal to exclude the Accountant General, who was then regarded as undoubtedly the ablest and most influential of Government directors, but who has since been so much blamed, would have been scouted as utterly senseless, and would doubtless have been met with an instruction from the Government of India, such as we have lately received, to put the Accountant General into the direction, as if *ex-officio*.

Vide Government of India's letter, No. 1211, of the 10th March 1866, of which a copy is annexed. (Already printed, *vide* page 26.)

8. Upon the whole, with regard to the management previous to April 1865, I cannot see that Government can do otherwise than the private shareholders have already done, viz., endeavour to find good directors for the future, and enjoin them to be more prudent than their predecessors were.

9. With the management of the bank during the difficulties between April and July 1865, I am not aware that any particular fault has been found, the course pursued by the bank was prudent and forbearing, and was, I believe, on the whole, approved by the mercantile community generally, who, in a case of this kind, are likely to be the best judges. The bank was in June promised Government assistance in case of need, but never required it, and never received it.

10. A period of respite followed between July and the crisis in November and December last, and it is objected by the Government of India to the bank's management that the bank "did not" gather up its "resources," i. e., press its debtors for payment, and keep the money it received in hand. The bank's advocates on the contrary plume themselves on the success of its "policy of forbearance."

11. It is difficult to decide upon a question so full of hypothesis, as that of whether the management of a particular institution during a given time might, or might not, have been better than it was. Where the management has, on the whole, been not unsuccessful, the institution is always able to make out some case for credit that matters were no worse, and it is still easier to assert that they might have been better.

12. Upon the whole, I think the bank must be acquitted of any charge of mismanagement during the period in question. There was every prospect that many of the insolvents would, if time were afforded them, be able to pay in full, or at least to pay a better dividend than they could if immediately pressed. The almost universal feeling and habit of the native mercantile community in Bombay was in favour of such a course. Had every insolvent been dealt with according to the straightest practice of old fashioned English mercantile usage, the bank would no doubt have sooner ascertained the full extent of its ultimate loss, but it may fairly be questioned whether that loss would not have been much greater than it has been.

13. There can be no conclusive decision on such a discussion of past possibilities; but the fact is undoubted that the bank was able to weather the crisis in December, unaided by Government, and to aid other banks.

14. But as regards this period detailed remark is less necessary, for it is clear that it was the Government Currency Department and not the bank which was in difficulties in December, and that the worst which could be said of the bank was that, had its aid been asked for, it would have been unable to assist the Currency Department to get out of the difficulties caused by the premature reduction of reserves of coined silver, and by over-investment in Government paper.

15. We are now in the midst of another crisis, more severe than either of its predecessors, and it would be premature to discuss the management of the bank as yet, beyond saying that I doubt whether more attention could have been given to the bank affairs, or its management have been more careful than it has been during the past few months, when Government has had special opportunities of seeing and hearing more than usual of the details of the working of the bank.

16. It is not necessary now that we should discuss the question of the causes of these three distinct panics following so close on each other. Each of them has in some respects had

had peculiar causes or features of its own, but the main fact is common to all that cotton, the great staple of Western India, has during 14 months fluctuated from 9 *d.* to 24 *d.* per lb., when 8 *d.* would have afforded a remunerative price to the grower, and left a fair ordinary profit to all concerned in the trade. Such rapid fluctuations in so important a staple would alone fully account for such commercial derangement as we have witnessed.

17. The important practical question is, when such a crisis arises, how far and in what manner should Government interfere with the bank's action.

18. My own impression is, that we have, in what we have already done, gone quite far enough, and that it is not sound policy for Government to attempt more than a vigilant and well-informed body of shareholders would attempt, namely, to appoint the best men possible in the office of director, and to judge by the results whether they have executed their trust faithfully and judiciously or otherwise.

19. But this, I apprehend, judging from the letters of the Government of India, will hardly be considered sufficient by the Governor General in Council; and in asking further definite instructions as to what the Government of India wishes us to do, I think we should lay clearly before that authority the present very anomalous position in which the Bank of Bombay is placed.

20. The Government of India is directly connected with the management of the Bank of Bengal, one of the three Government Banks in India. This is not only the Government Bank of the vast Bengal Presidency, but it is the bank which is most intimately connected with the Financial Department of the Government of India, and which transacts all the banking work connected with State loans and the general financial operations of the Indian Government.

21. The Bank of Bombay, on the other hand, as far as Government is concerned, deals only with local interests; till very lately, its capital was much inferior to that of the Bank of Bengal; and, without comparing the management of the two banks, there is no doubt that for some years past the Bank of Bengal has enjoyed unusual advantages in the very able management of its present secretary, Mr. George Dickson.

22. But there can be no doubt that of late years the money market of Bombay has been advancing most rapidly in extent and importance, and that it is now, apart from the business of Government, little less important than that of Calcutta, that it is rapidly increasing in importance, and that it is peculiarly susceptible to sudden changes.

23. This being the case, it is a very serious disadvantage that the Government Bank of Bombay is not only junior in point of age and commercial standing, but that it is subject to a multiplicity of masters to an extent which seems to me utterly inconsistent with sound banking management.

24. Besides the directors there is the Local Government. I do not think that the bank ever complained of over-interference on our part; nor do I think complaint is likely to arise, if I am right in supposing that our duty is limited to appointing the best directors we can get, and to judging whether the directors have attended faithfully to the terms of the Bank Charter, and have in other respects generally done their duty.

25. But if we are to do more than this; if we are in any respect to direct the directors beyond what the Charter Act lays down; if we are to tell them what loans and advances they are to make, and how they are to recover them, I apprehend it will be found that the Government will occasionally prove somewhat deficient in banking experience. It is not every distinguished political, revenue, or judicial officer who is fit to lay down the law to bank directors. The knowledge required is very special, and ill-informed critics may be dangerous advisers, as a general rule. We cannot look for much more in the members or secretaries of our Government than that they shall be able to find out when a bank director knows his own business, and keep him to a proper performance of it.

26. But, besides the Local Government, the Bank of Bombay is subject to the distant, and not always friendly, criticisms of more than one Department of the Government of India. The relations of that Government with the Bank of Bengal are necessarily direct and intimate. The criticism which emanates from the Financial Department of the Government of India at Calcutta, or the Government of India itself when at Simla, must often take its colour from what is in some respects a rival banking institution.

27. Moreover, the criticism reaches the Bank of Bombay through a variety of channels. It may come through the Local Government, or through the Accountant General, or Currency Commissioner, both of whom are in direct correspondence both with the Government of India, in the Financial Department, and with the Account and Currency Departments.

28. It is equally difficult to know the exact weight which is due to such criticisms, and also the best channel through which to reply to them. I could name instances within the last few months when criticism had been received and replied to by the secretaries of the two banks corresponding directly with each other, by the Currency Commissioners here and

in Calcutta, by the Account Department and its officers here, in Calcutta, and at Simla by the Financial Secretaries and Members of Government, equally dispersed.

29. It is clear that, unless a good deal of this criticism went practically for nothing and were disregarded by the bank, matters must speedily come to a dead lock. As it is, I cannot doubt that the inconvenience, delay, and confusion of responsibility, thus engendered are very serious evils.

30. The practical results which, I would submit, are indicated by these facts are briefly these:—

1st. The Account and Financial Departments of the Government of India, so far as they do not move about with the head quarters of the Government, are at present misplaced at Calcutta, and should, with as little delay as possible, be transferred to Bombay, or rather to Poona, where there will be no necessity for moving any portion of them in search of a better climate, nor of sending such a large portion of the accounts and correspondence twice or oftener across the peninsula; they will be gradually gathered into the head-quarter office of account at the point most favourable for speedy communication with England.

2nd. It seems very desirable, as far as Government is concerned, that the question of an amalgamation of the Government Banks should be seriously entertained, with a view to ascertain whether there is any insuperable difficulty in amalgamation. It is obviously quite impossible that the Government of India should go on much longer with three banks, of which one is in intimate, confidential, and direct relation with the Government of India, but has no direct control over banking operations in the great mart of Western India, while another bank, placed in a position of influence in a large, rapidly increasing, and sensitive money market like Bombay, has no direct communication at all with the Government of India, but is subjected to indirect influences, sometimes through departments directly under the Government of India, at other times through the Local Government, and generally more or less affected by rival views and interests.

3rd. Probably before this question of amalgamating the Government Banks can be decided, the Government of India will be in a better position than at present to judge whether the head-quarter office of any single amalgamated Government Bank should be the east and west of the peninsula; but this is a question of much less importance than that the banking operations of Government shall be conducted on a uniform plan through one uniform channel, and with but one Government Bank.

(Dated 11th June 1866.)

MINUTE by His Excellency the Commander in Chief.

I concur with the views of His Excellency the Governor.

(Enclosure referred to in paragraph 1 of His Excellency the Governor's Minute dated 29th May 1866.)

Directors of the Bank of Bombay, from January 1863 to present date (June 1866).

1863.

*S. D. Birch, Esq.	-	-	-	-	-	January to December.
R. Hannay, Esq.	-	-	-	-	-	January to May.
Cowasjee Jehangeer, Esq.	-	-	-	-	-	January to December.
Honourable W. B. Tristram	-	-	-	-	-	January to May.
R. McIlwraith, Esq.	-	-	-	-	-	January to December.
*Honourable A. D. Robertson	-	-	-	-	-	January to December.
*R. W. Lodwick, Esq.	-	-	-	-	-	January to February.
Honourable G. Foggo	-	-	-	-	-	January to December.
Honourable Rustomjee Jamsetjee Jejeebhoy	-	-	-	-	-	January to April, and re-elected in December.
W. Waterfield, Esq.	-	-	-	-	-	February to May.
Limjee Maneckjee, Esq.	-	-	-	-	-	April to December.
J. A. Baumbach, Esq.	-	-	-	-	-	May to September.
*H. L. Anderson, Esq.	-	-	-	-	-	May and June.
Gavin Steel, Esq.	-	-	-	-	-	May to June.
*G. Inverarity, Esq.	-	-	-	-	-	June to December.
Honourable M. H. Scott	-	-	-	-	-	September to December.
F. F. Lidderdale, Esq.	-	-	-	-	-	Entered 17th December.

NOTE.—The names marked with a * are those of the Government Directors.

1864.

*S. D. Birch, Esq.	-	-	-	-	-	January to December.
*Honourable A. D. Robertson	-	-	-	-	-	January to June.
Cowasjee Jehangeer, Esq.	-	-	-	-	-	January to July.
R. McIlwraith, Esq.	-	-	-	-	-	January to December.
Honourable Rustomjee Jamsetjee Jejeebhoy	-	-	-	-	-	January to December.
Gavin Steel, Esq.	-	-	-	-	-	January to November.
*E. W. Ravenscroft, Esq.	-	-	-	-	-	October to December.
F. F. Lidderdale, Esq.	-	-	-	-	-	January to December.
*H. A. Mangles, Esq.	-	-	-	-	-	February to December.
Honourable M. H. Scott	-	-	-	-	-	February to October.
*H. E. Jacomb, Esq.	-	-	-	-	-	June to September.
Premchund Roychund, Esq.	-	-	-	-	-	July to September.
Cowasjee Manockjee, Esq.	-	-	-	-	-	September to December.
Robert Hannay, Esq.	-	-	-	-	-	December.

1865.

*S. D. Birch, Esq.	-	-	-	-	-	January and February.
Honourable Rustomjee Jamsetjee Jejeebhoy	-	-	-	-	-	January and February, and September to December.
F. F. Lidderdale, Esq.	-	-	-	-	-	January to March, and June to December.
*H. A. Mangles, Esq.	-	-	-	-	-	January to March.
Premchund Roychund, Esq.	-	-	-	-	-	January to June.
Cowasjee Manockjee, Esq.	-	-	-	-	-	June to December.
*E. W. Ravenscroft, Esq.	-	-	-	-	-	January and February.
Robert Hannay, Esq.	-	-	-	-	-	January to December.
Honourable Mr. Cassels	-	-	-	-	-	January and February.
R. L. Tracey, Esq.	-	-	-	-	-	February to December.
*F. S. Chapman, Esq.	-	-	-	-	-	March to December.
*J. L. Lushington, Esq.	-	-	-	-	-	March to December.
Alex. Brown, Esq.	-	-	-	-	-	April to December.
*Col. J. A. Ballard	-	-	-	-	-	July to December.
Alex. Stewart, Esq.	-	-	-	-	-	December.
Robert Ryrie, Esq.	-	-	-	-	-	December.

1866.

Robert Hannay, Esq.	-	-	-	-	-	January to April.
*J. L. Lushington, Esq.	-	-	-	-	-	January and May to date.
*F. S. Chapman, Esq.	-	-	-	-	-	January to date.
F. F. Lidderdale, Esq.	-	-	-	-	-	January to date.
A. Stewart, Esq.	-	-	-	-	-	January to date.
R. Ryrie, Esq.	-	-	-	-	-	January to April.
Cowasjee Manockjee	-	-	-	-	-	January to April.
Honourable Rustomjee Jamsetjee Jejeebhoy	-	-	-	-	-	January to March.
*Colonel J. A. Ballard	-	-	-	-	-	During January.
*G. Norman, Esq.	-	-	-	-	-	February to date.
*The Honourable Colonel W. F. Marriott	-	-	-	-	-	27th February to 27th March.
Alex. Brown, Esq.	-	-	-	-	-	24th April to date.
R. L. Tracey, Esq.	-	-	-	-	-	24th April to date.
*C. E. Chapman, Esq.	-	-	-	-	-	24th April to date.

Secretary *James Blair, Esq.*, 1863 and 1864 to 29th April 1865.

Officiating Secretary, *D. Robertson, Esq.*, from 29th April 1865 to date.

Bank of Bombay, the 15th June 1866.

NOTE.—The names marked with a * are those of the Government Directors.

(Dated 11th June 1866.)

MINUTE by the Honourable *B. H. Ellis*.

As I concur in the general conclusions arrived at by his Excellency the President, it is not necessary for me to discuss at great length the questions raised in regard to the past management of the bank. The report of the official directors, Messrs. Chapman and Norman, seems to me to set forth clearly and fairly the causes which have led to the present position of the bank; and I would refer the Government of India and Her Majesty's Secretary of State to that report.

2. I am convinced that during the years 1863 and 1864 many of the precautions which were taken during the time I served on the bank direction had been relaxed. I understand

that there was no longer any restriction on the amount of loan or credit which the secretary might give an individual applicant without reference to the Board and the standing rule restricting the amount of advance allowable to any one bank or individual had also been cancelled. The bank's cash balance was no longer counted every month by three directors, one of whom was a Government director, and in other smaller matters there appears to have been a laxity in the management that had not prevailed a few years before. The appendix to the report of the Government directors shows that very stringent rules have now been prescribed; and, with reference to Mr. Lushington's letter of the 17th January last, No. 262, in which greater checks by the Government directors are enjoined, I may remark, that for the whole period during which these objectionable advances were being made, the president or chairman of the Board was a Government director. Mr. Birch, the accountant-general, I can from personal experience speak to the great attention paid by Mr. Birch to his bank duties, and the bank was supposed to be peculiarly fortunate in having at its head a Government director who had had experience in bank management. The policy of the bank during this period appears to have been rash, and, judging as we do by the results, even reckless. But it must not be forgotten that we are not in possession of any defence on behalf of those who were then at the head of the bank, and we do not know what they would allege in justification of their proceedings. Of this I am confident, that whatever may have been the errors of judgment, it was not from want of attention or want of proper supervision by a Government director that the bank's management during this period can be impugned.

3. In the absence of any reasonable explanation, a decision condemnatory of the bank management during 1863 and 1864 must be recorded; but I see no reason to alter the opinion I formed at first, that after the original mistake of making reckless loans and advances had been committed, no other course but that indicated by the term "policy of forbearance" could have been followed without results disastrous to the commerce of Bombay. The advance of money upon shares has, during the past year, been strictly prohibited; and, although the law has not been altered, the practical effect of the standing orders framed by the [directors has been the same as if they were by law forbidden from advancing upon other than Government securities.

4. This being so, I am not sure that a compliance with the urgent demand of the Government of India for the repeal of a single section of the Bank Charter Act will be of very great use, and I would rather have deferred legislative action until the whole system could be revised, and an amended Act framed on the principle advocated by his Excellency the President of a general bank for all India, with an alteration in the existing arrangements for the management of the Currency Department.

(Financial No. 290.)

To his Excellency the Right Honourable the Governor General of India in Council.

India Office, London,
17 December 1866.

Sir,

1. I HAVE considered in Council your financial letters, dated the 14th July and 29th August last, Nos. 151 and 193, forwarding correspondence with the Government of Bombay relative to the recent management of the bank at that Presidency, as well as the correspondence on the same subject, transmitted to me by the Government of Bombay, with their financial letter, dated the 23rd July 1866, No. 13.

2. In these papers the mismanagement of the bank during the two years previous to April 1865 is clearly established in the report of Messrs. F. S. Chapman and Norman (Government Directors), dated the 31st March 1866; it was stated that "previous to April 1865, loans were granted with an amount of recklessness that appears now to be almost incredible. Not only were credits given to individuals and firms of recognized mercantile position to an extent far in excess of the limit that prudence demanded should be placed on such transactions, but persons who were not even engaged in any ostensible commercial pursuits were accommodated with large sums of money which could only have been required for purposes of share speculation."

3. In a Minute dated the 29th May 1866, the Governor of Bombay observed that the management of the bank for the period in question had been extremely reckless, and that many rules and checks imposed by former boards of directors for the conduct of business had been abrogated. He further observed, "On
inquiring

inquiring who is to be blamed, we are met with the usual difficulty of fixing the responsibility on any one of a body of several directors. None of the then directors, nor their secretary, are now in the country. The most influential director of that time was, I believe, Mr. Birch, the then accountant-general and chairman of the bank, who enjoyed a higher reputation than any servant of Government here, or I believe in the other presidencies, for his practical knowledge of banking and finance."

4. But unsatisfactory as the management of the bank had been, his Excellency was of opinion that it would be impracticable to fix the responsibility either on the Government directors as a body, or on any one of them.

5. The neglect of duty on the part of the Government directors previous to May 1865, which is apparent from these papers, is exceedingly discreditable to those officers.

6. Messrs. Chapman and Norman, in their report, state that the total amount of loans and discounts outstanding on the 30th December 1865, at both the head offices and branches, was 381 lacs of rupees, that of that amount 163 lacs was overdue, and that after a careful and impartial scrutiny 30 lacs had been set down as the probable eventual loss. You have not informed me that it had been ascertained that this estimate would be greatly exceeded; but I observe from the financial proceedings of your Government for August last that, at the date of the report of the directors of the Bank of Bombay in June last, the estimated losses exceeded 85,00,000 rupees, and it appears from the public newspapers that the loss has in fact led to the reduction of the capital by one-half.

7. This state of affairs is so extremely unsatisfactory, that it is imperatively necessary to guard against any recurrence of similar mismanagement. I have, therefore, to request that you will take the whole subject of the Government connection with the bank into your consideration, and furnish me at as early a period as practicable with a report as to the measures which you consider it would be expedient to adopt.

8. I cannot refrain from noticing the remarkable fact that the important words "or other public companies" in clause 32 of Act 10 of 1863 (Bombay), to which so large a portion of the recent losses of the bank is to be attributed, were inserted, apparently without so material departure from the charters of the Bengal and Madras Banks being brought to the notice either of the Legislative Council in Bombay or of the Government of India, or of Sir Charles Wood, then Secretary of State. An omission so unusual requires explanation, and I have to request that you will cause careful inquiries to be made into the circumstances attending the insertion of such important words without due notice being taken of it, and that you will make an early report to me on the subject.

I have, &c.
(signed) Cranborne.

(Financial Department.—No. 13 of 1866.)

To Her Majesty's Principal Secretary of State for India in Council, London.

My Lord,

Bombay Castle, 23 July 1866.

WITH reference to paragraphs 10 and 11 of your predecessor's despatch

No. 71, dated 8th September 1865, and in continuation of our Despatch No. 8, dated 13th March 1866, we have the honour to forward the collections of correspondence noted in the margin*, the perusal of which will apprise your Lordship of the steps we have taken to follow out the directions of Sir C. Wood.

Letter to the Government of India, No. 609, dated 16 June 1866.
Letter from the Government Directors of the Bank of Bombay, dated 31 March 1866, with Enclosures.
Minute by his Excellency the Governor, dated 29 May 1866, with Enclosures.
Minute by his Excellency the Commander in Chief, dated 11 June 1866.
Minute by the Honourable B. H. Ellis, dated 11 June 1866.

Letter from the Government of India, No. 503, dated 12 May 1866, with accompaniment.

Letter to the Government of India, No. 604, dated 13 June 1866.
Letter from the Government of India, No. 1111, dated 19 June 1866, with Enclosures, and the Minutes of the Members of Government thereon.

2. A Bill

* Already printed, *vide* pages 30 to 46.

A copy of the Bill is
appended.

2. A Bill to amend the present Bombay Bank Charter Act, drafted under the direction of the Government of India, has been submitted for the consideration of the Legislative Council of this Presidency, and will receive their earliest attention. Its enactment will remove the objection taken to the Bank Charter as it now stands, though its practical effect will be insignificant, for the restriction it places on the business of the bank has been anticipated in the self-imposed rules under which the direction have acted since April 1865.

We have, &c.
(signed) *H. B. E. Frere.*
R. Napier.
B. H. Ellis.
C. J. Erskine.

(Financial Department.—No. 503.)

To the Chief Secretary to Government, Bombay.

Sir,

Simla, 12 May 1866.

I AM desired by the Governor General in Council to invite the immediate attention of the Government of Bombay with reference to the condition of the Bank of Bombay.

2. In a Despatch from the Secretary of State, No. 71, dated 8th September last, addressed to his Excellency the Governor in Council, Bombay, Sir C. Wood urged upon the Bombay Government the necessity of effecting such an alteration of the Charter of the Bank of Bombay as will preclude them making advances on the security of public companies not guaranteed by Government. A copy of this Despatch was forwarded to this Government for information, and on the 17th of November following, a letter, No. 2979, was issued from the Government of India in this Department, inquiring what steps had been taken for complying with the orders of the Secretary of State.

3. Up to the present date, however, though seven months have elapsed since the receipt by the Government of Bombay of the orders of the Secretary of State on this important subject, no communication has been received by this Government of the measures which the Bombay Government propose to adopt in view to the necessary modification in the Charter of the Bank.

*Already printed,
vide page 10.

4. I am now directed to forward copy of another Despatch, No.* 65, dated 24th March, from the Secretary of State, in which Lord De Grey requests to receive, as early as possible, a report of the measures the Bombay Government may propose to adopt with reference to the above subject, and to request that this requisition may receive the immediate attention of his Excellency in Council.

5. The next subject connected with the Bank of Bombay, to which I am instructed to call attention, is contained in paragraph 10 of my letter, No. 161, dated 13th January last. His Excellency the Governor General in Council has received copies of the minutes made on that communication by his Excellency the Governor and the other members of Council, which have been forwarded by the Bombay Government to the Right Honourable the Secretary of State; but any remarks on these minutes must necessarily be deferred until this Government is in possession of the report which has been called for of the assets and liabilities of the Bank of Bombay, and its transactions during the last six months, referred to in the letter above mentioned.

6. The Governor General in Council cannot but express his regret and surprise that any delay should have occurred in the receipt of this report, on the result of which the character of the bank, and its future relations with the Government, so greatly depend. His Excellency trusts that no further time will be lost in furnishing the information so urgently required.

I have, &c.
(signed) *R. H. Hollingbery,*
Assistant Secretary,

For the Secretary to the Government of India.

(Financial Department.—No. 604 of 1866.)

To the Secretary to the Government of India.

Financial Department,
Bombay Castle, 13 June 1866.

Sir,

I AM directed to reply to your letter, No. 503, dated the 12th ultimo, commenting on the delay that has occurred in submitting the report called for by the Government of India on the management of the Bank of Bombay, and wishing to be informed as to what steps have been taken to secure the alteration in the Charter being made as directed by Sir C. Wood.

2. The causes of the delay in replying to your letter, No. 161, dated the 13th January, have already been explained in my demi-official note to your address; and, as requested in your telegram of the 6th instant, the report on the management, with the Minutes of the Members of Government recorded thereon, is in course of dispatch.

3. With respect to the Charter, Sir Charles Wood's Despatch, No. 71, dated 8th September last, was forwarded to the bank directors on the 26th October, with a request that they would state whether they had any objections to offer to the proposed alterations respecting the authority to make advances on the security of public companies. On the receipt of their reply, this Government directed the requisite draft Bill to be prepared; but before it could be dispatched to the Secretary of State, the letter from the Government of India, No. 161, dated the 13th January last, was received, and it was considered advisable to postpone the question of partial legislation until the general question of the past management of the bank, and its future relationship with Government, should be disposed of.

4. The Government directors had for some months previously been strictly enjoined to prohibit the making of advances of the kind, so that practically the object to be attained by legislation had already been secured before the receipt of this letter.

5. The Government of India will have been informed by a telegram that this Government are prepared at once to make the requisite alteration if deemed necessary.

I have, &c.
(signed) *F. S. Chapman*,
Chief Secretary to Government.

(Financial Department.—No. 1111.)

To the Chief Secretary to Government, Bombay.

Sir,

WITH reference to the recent correspondence on the subject of the affairs of the Bank of Bombay, and the expediency of restricting the powers of that bank to the extent allowed to the Banks of Bengal and Madras, I am instructed to forward a copy of a draft Bill embodying the alterations which the Government of India considers to be indispensable, and of the statement of objects and reasons, and to state that as the Act which constituted the Charter of the Bank of Bombay was passed by the Council of his Excellency the Governor of Bombay for making laws and regulations, it is preferable that the amendment of the Act should be made by the same authority.

2. The Governor General in Council is under no apprehension that any panic or injury to the credit of the bank will result from the proposed alteration of its charter, the practice which such alteration will prohibit, having been, as his Excellency in Council learns with satisfaction, for some time past discontinued by the bank. On the contrary, his Excellency in Council is of opinion that the disconnection of the bank from business of a speculative character will have the effect of strengthening its position and redeeming it from the discredit into which it has fallen.

3. Meanwhile, his Excellency in Council awaits with anxiety the long-expected report on the affairs of the bank.

I have, &c.
(signed) *E. H. Lushington*,
Secretary to the Government of India.

Simla, 19 June 1866.

A BILL to Amend Act No. X. of 1863 (Bombay).

WHEREAS, it is expedient to amend Act No. X. of 1863, Bombay (for the re-incorporation and re-constitution of the Bank of Bombay), it is hereby enacted as follows :

1. Section 32 of the said Act shall be read as if for the words "The advancing and lending money on Government securities, or on the security of shares in any of the incorporated Indian railway or other public companies in India" the following words were substituted (that is to say), "The advancing and lending money on Government securities and shares in Indian railways, the interest whereon shall have been guaranteed by Government;" and as if for the words, "the making of investments of the monies of the said bank in Government securities," the following words were substituted (that is to say), "The making of investments of the monies of the said bank in securities of the Government of India, or in loans or bonds secured by the Imperial Parliament on the revenues of India, or in debentures of railways guaranteed by the Government of India."

2. This Act shall be read with, and taken as part of, the said Act No. X. of 1863 (Bombay).

(signed) *J. E. Cooke,*
Assistant Secretary to the Government of India.

STATEMENT OF OBJECTS and REASONS.

By Section 32 of Act No. X. of 1863 (Bombay), the Bank of Bombay is allowed to lend money on the security of shares in any of the public companies in India.

This power, which is not possessed by the Bank of Bengal or the Bank of Madras, having been found objectionable, the present Bill has been prepared, at the desire of the Secretary of State for India, so as to assimilate in this respect the business of the Bank of Bombay to that of the Banks of Bengal and Madras.

(signed) *J. E. Cooke,*
Assistant Secretary to the Government of India.

MINUTE by His Excellency the Governor, dated 29th June 1866, concurred in by the Honourable Mr. *Ellis*.

The Bill should be published, and entrusted to the Honourable Mr. *Ellis* to bring forward at the first meeting of Council.

(signed) *H. B. E. Frere.*
B. H. Ellis.

29 June 1866.

MINUTE by the Honourable *C. J. Erskine*, dated 2nd July 1866.

BUT I would omit the words in the statement of objects and reasons "at the desire of the Secretary of State." The Legislature is supposed to act freely, and similar words once before gave rise to debates and opposition in Calcutta.

2 July 1866. (signed) *C. J. Erskine.*

(Financial Department.—No. 665, of 1866.)

Bombay Castle, 5 July 1866.

MADE over to the Legislative Department for disposal, with a request that these papers may be returned to the Financial Department when no longer required.

(signed) *J. King,*
Acting Under Secretary to Government.

PROCEEDINGS of the Legislative Department, Bombay.—Monday, 16th July 1866.

THE following Bill, together with the statement of objects and reasons accompanying it, is published in accordance with Rule 15 of the rules for the conduct of business at meetings of the Council of his Excellency the Governor of Bombay for making laws and regulations:—

BILL No. 8, of 1866.

A BILL to Amend Act No. X. of 1863 (Bombay).

WHEREAS, it is expedient to amend Act No. X. of 1863, Bombay (for the re-incorporation and re-constitution of the Bank of Bombay); it is hereby enacted as follows:—

1. Section 32 of the said Act shall be read as if for the words, "The advancing and lending money on Government securities, or on the security of shares in any of the incorporated Indian railway or other public companies in India," the following words were substituted (that is to say), "The advancing and lending money on Government securities and shares

Preamble.

Amendment of
Section 32 of Act
No. X. of 1863
(Bombay).

shares in Indian railways, the interest whereon shall have been guaranteed by Government;” and as if for the words, “The making of investments of the monies of the said bank in Government securities,” the following words were substituted (that is to say), “The making of investments of the monies of the said bank in securities of the Government of India, or in loans or bonds secured by the Imperial Parliament on the revenues of India, or in debentures of railways guaranteed by the Government of India.”

2. This Act shall be read with, and taken as part of, the said Act No. X. of 1863 (Bombay).

This Act to be read as part of Act No. X. of 1863 (Bombay).

STATEMENT of OBJECTS and REASONS.

By Section 32 of Act No. X. of 1863 (Bombay), the Bank of Bombay is allowed to lend money on the security of shares of any of the public companies in India.

This power, which is not possessed by the Bank of Bengal or the Bank of Madras, having been found objectionable, the present Bill has been prepared, so as to assimilate in this respect the business of the Bank of Bombay to that of the Banks of Bengal and Madras.

Poona, 1 July 1866.

(signed) *B. H. Ellis.*

By order of his Excellency the Governor,

(signed) *W. Wedderburn,*

Poona, 14 July 1866.

Acting Under Secretary to Government.

(Financial, No. 136.)

To His Excellency the Right Honourable the Governor in Council,
Bombay.

Sir,

India Office, London, 17 December 1866.

WITH reference to your Financial Letter, dated the 23rd July 1866, No. 13, I forward herewith a copy of a Financial Despatch, dated this day, No. 290, which I have addressed to the Government of India, relative to the management of the Bank of Bombay.

I have, &c.

(signed) *Cranborne.*

(Home Department—Legislative—No. 61, of 1866.)

To the Right Honourable Viscount *Cranborne*, Secretary of State for India,
dated Fort William, 7th December 1866.

My Lord,

IN conformity with the provisions of section 41 of the Indian Councils Act, I have the honour to forward to you an authentic copy of the law, noted on the margin, which has been passed by the Council of Bombay, and to which I have signified my assent.

* A Bill to amend Act No. X. of 1863 (Bombay).

I have, &c.

(signed) *John Lawrence.*

(Legislative, No. 4.)

To His Excellency the Right Honourable the Governor General of India
in Council.

Sir,

India Office, London, 24 January 1867.

1. I HAVE to acknowledge the receipt of your Excellency's Despatch, dated 7th December, No. 61, 1866, transmitting copy of the Act noted in the margin, which has been passed by the Council of the Governor of Bombay, and to which your Excellency has signified your assent.

Bill to amend Bombay Act X. 1863 (re-incorporation of Bank of Bombay).

° Already printed, *vide* page 51.

2. I have to inform you that I have considered the same in Council, and that it will be left to its operation.

I have, &c.
(signed) *Cranborne.*

TELEGRAM dated 28th February 1867, from the Secretary of State to the Governor General, Calcutta.

ALARMING reports of the state of the Bank of Bombay have been received in London. Cause not known. Give assurance of Government support.

TELEGRAM dated 28th February 1867, from the Secretary of State to the Governor of Bombay.

THE following telegram has been this day sent to Governor General:—
“Alarming reports of the state of the Bank of Bombay have been received in London. Cause not known. Give assurance of Government support.”

TELEGRAM dated Calcutta, 1st March 1867, from the Viceroy to Secretary of State.

THE Bank of Bombay is in a critical state. I have given and will continue support. I hope it may recover.

TELEGRAM dated Bombay, 1st March 1867, from Sir *Bartle Frere* to Secretary of State.

YOUR telegram of yesterday with copy of cypher to Viceroy, received. Run on bank stopped, but no confidence possible without change in constitution. Directors have made proposals, which have this day been submitted to Viceroy. Details by next mail.

(No. 27 of 1867.—Government of India.—Financial Department.—Accounts.)

To the Right Honourable Viscount *Cranborne*, Secretary of State for India.

My Lord,

Fort William, 19 January 1867.

IN continuation of our letter No, 151, dated 14th July 1866, we have the honour to forward the documents named in the annexed list, regarding the state of the Bank of Bombay, and the continuance of its management of the general treasury at Bombay for one year after the expiration of the present agreement in March next.

2. The correspondence now reported contains a reply to the chief portion of your letter, No. 290, of 17th December 1866, which on one remaining point will be separately answered.

We have, &c.
(signed) *John Lawrence.*
W. Mansfield.
H. S. Maine.
W. Grey.
G. N. Taylor.
W. N. Massey.
H. M. Durand.

COLLECTION OF BOMBAY BANK PAPERS.

L I S T.

Sir B. Frere's Telegram, dated 15th June 1865	- - - - -	} Printed <i>Vide</i> p. 4
The Viceroy's ditto dated 16th June	- - - - -	
Financial Secretary's ditto, dated 16th June	- - - - -	
Financial Secretary to Government of Bombay, No. 958, dated 22nd June	- - - - -	" p. 2
Government of India to Secretary of State, No. 110, dated 1st July 1865	- - - - -	" p. 2
Secretary of State to Government of Bombay, No. 42, dated 2nd June 1865	- - - - -	" p. 1
Government of Bombay to Secretary of State, No. 12, dated 8th July	- - - - -	" p. 3 and 4
Government of Bombay to Government Directors of Bombay Bank, dated 29th June 1865, No. 572	- - - - -	" p. 4
Government Directors' reply, dated 30th June	- - - - -	" p. 5 and 6
Secretary of State to Government of India, dated 8th September 1865, No. 213	- - - - -	" p. 6
Secretary of State to Government of Bombay, dated 8th September, No. 71	- - - - -	" p. 6 to 8
Government of India to Government of Bombay, dated 17th November 1865, No. 2979	- - - - -	" p. 53
Government of India to Government of Bombay, dated 13th January 1866, No. 161	- - - - -	" p. 8 and 9
Government of India to Government of Bombay, No. 262, dated 17th January 1866	- - - - -	" p. 10
Government of India to Secretary of State, No. 12, dated 20th January 1866	- - - - -	" p. 8
Government of India to Government of Bombay, dated 10th March 1866, No. 1211	- - - - -	" p. 26
Government Bombay to Government of India, dated 13th March 1866, No. 263, with enclosures	- - - - -	" p. 53
Secretary of State to Government of India, dated 24th March 1866, No. 65	- - - - -	" p. 10
Memorandum from Government of Bombay, dated 21st March 1866, No. 299	- - - - -	" p. 26
Government of India to Government of Bombay, dated 12th May 1866, No. 503	- - - - -	" p. 48
Reply to ditto, No. 604, dated 13th June 1866	- - - - -	" p. 49
Government of Bombay to Government of India, dated 16th June 1866, No. 609, with enclosures	- - - - -	" p. 30 to 46
Government of India to Government of Bombay, dated 18th June 1866, No. 1050	- - - - -	" p. 27
Government of India to Government of Bombay, No. 1111, dated 19th June 1866	- - - - -	" p. 49
India to Bombay, dated 18th July 1866, No. 1456	- - - - -	" p. 27 to 29
Government of India to Secretary of State, dated 14th July 1866, No. 151	- - - - -	" p. 26
Report of Directors of Bombay Bank, with enclosures	- - - - -	" p. 54 to 56
Government of India to Government of Bombay, dated 23rd August 1866, No. 2088	- - - - -	" p. 57
Ditto - ditto, dated 13th September 1866, No. 2344	- - - - -	" p. 57
Government of Bombay to Government of India, dated 19th September 1866, No. 892, with enclosures	- - - - -	" p. 57 to 59
Telegram to Bombay, dated 3rd October 1866	- - - - -	" p. 59
Government of India to Government of Bombay, dated 3rd October 1866, No. 2613	- - - - -	" p. 59
Letter to Government of Bombay, No. 3053, 26th October 1866	- - - - -	" p. 60
Letter from Government of Bombay, No. 1085, 22nd November 1866	- - - - -	" p. 60 to 94
Letter from Government of Bombay, No. 1100, 27th November 1866	- - - - -	" p. 94 to 99
Copy of Rules and Regulations of the Bank of Bombay	- - - - -	" p. 100 to 102
Letter to the Government of Bombay, No. 99, dated 9th January 1867	- - - - -	" p. 102 to 104

(No. 2979, dated 17th November 1865.)

From *E. H. Lushington, Esq.*, Secretary to the Government of India, Financial Department, to the Secretary to the Government of Bombay.

WITH reference to the tenth paragraph of the Despatch from the Secretary of State to Government of Bombay, No. 71, dated the 8th September 1865, directing that an alteration may be made in the Charter of the Bank of Bombay to "preclude their making advances on the security of public companies not guaranteed by Government," I am requested to inquire what steps have been taken for complying with this injunction? The existence of the power of making these advances is decidedly objectionable, and cannot be allowed to remain.

(No. 263, dated 13th March 1866.)

From *F. S. Chapman, Esq.*, Chief Secretary to the Government of Bombay, to *E. H. Lushington, Esq.*, Secretary to the Government of India, Financial Department.

I AM directed to acknowledge the receipt of your letter, No. 161, dated the 13th January 1866, regarding the management of the Bank of Bombay during the past year, and to forward to you, for the purpose of being laid before his Excellency the Governor-General in Council, the accompanying copies of Minutes recorded by the Members of this Government on the subject.

Minute by his Excellency the Governor, dated 26 January 1866.
P. S. to ditto, dated 17 February 1866
Minute by the Honourable Mr. Ellis, dated 21 February 1866.
Minute by the Honourable Mr. Erskine, dated 2 March 1866.
Minute by his Excellency the Governor, concurred in by the Honourable Mr. Erskine, dated 2 March 1866.
Minute by the Honourable Mr. Ellis.
Minute by his Excellency the Governor, dated 27 February 1866.
Minute by the Honourable Mr. Erskine, dated 4 March 1866.
Minute by the Honourable Mr. Ellis, dated 5 March 1866.
Minute by the Honourable Mr. Erskine, dated 8 March 1866.
Minute by his Excellency the Governor, dated 9 March 1866.

Printed, *vide* pages 12 to 25.

BANK OF BOMBAY.

PRESIDENT.—F. F. LIDDERDALE.

DIRECTORS.

J. L. Lushington.	Alex. Brown.
E. C. Chapman.	R. L. Tracey.
G. Norman.	Alex. Stewart.

THE annual general meeting of the proprietors of the bank was held under Section 37, of Act X. of 1863 at the bank's office in the Fort, on Monday the 6th day of August 1865, at 11 o'clock in the forenoon: F. F. Lidderdale, Esq., in the Chair.

The secretary having read the notice calling the meeting as published in the "Government Gazette," and newspapers, and the section of the charter under which the meeting was convened, the following reports of the directors and auditors were submitted:—

DIRECTORS' REPORT.

IT now devolves on the directors to submit a statement of the affairs of the Bank of Bombay to the 30th June last.

From the report read at the general meeting held on the 7th August of last year, the shareholders will remember it was stated that the directors, after much deliberation, and taking rather an unfavourable view of the loans still owing to the bank on 30th June 1865, did not feel warranted in estimating the total loss of the bank at above 30 lakhs of rupees. For some time after that report was published, the estimated losses continued to diminish steadily, and as cotton improved in value, the estates of many of the bank's debtors who had failed, showed the probability of a larger dividend than they can now possibly give. In considering also the position of the bank at the close of the year 1865, your directors felt themselves fully justified in estimating the value of the shares held by the bank as collateral security at the price then current, as they believed that nearly all descriptions of sound stock might be reasonably expected to advance rather than decline in value. Looking also to the very favorable condition of the markets generally, your directors, after careful consultation, felt warranted in declaring a dividend of 4 per cent. for the half-year ending 31st December last; but while taking so sanguine a view of the affairs of the bank, no opportunity was lost of reducing the outstanding debts, and in many instances where payment could not be obtained, of acquiring securities. The result, however, has proved very different from what your directors anticipated, as, besides a continuous and unprecedented depreciation in the value of all descriptions of securities, a crisis greatly exceeding in severity that of 1865 has since overtaken Bombay.

In the month of April last unfavorable news of the state of the home cotton markets reached Bombay, followed rapidly by still more depressing intelligence; and respectable firms, formerly of undoubted standing, means and credit, both in England and India, which had stood through the severe crisis in the early part of 1865, began to succumb. These failures were quickly followed by the collapse of two long-established exchange banks, enjoying the highest credit, their fall throwing many good firms, as well as private persons, into new and unforeseen difficulties. The directors have satisfaction in stating that, notwithstanding these most unfavorable circumstances, and the general feeling of distrust that prevailed, they were able to afford material and timely assistance to a large amount to several Bombay banking establishments, and thus contributed not a little to allay the panic which prevailed at the time of the suspension of the Commercial and Agra Banks.

The preceding remarks will prepare the shareholders to learn that the value of the bank's assets is impaired to an extent much greater than was thought likely or even possible but a few months ago. Your directors, after the most careful scrutiny of the assets of the bank, and the securities held against debts, feel themselves obliged to report that they consider the bank's capital will be encroached upon to the extent of about 50 lakhs of rupees.

In making this estimate, however, they deem it right to explain, and to request the shareholders to bear in mind, that in valuing the assets they have taken all shares at present panic rates, and in the case of bankrupt estates the lowest possible estimate of dividend has been adopted by them. In not a few instances where the bankrupts have been largely interested in cotton, the considerable improvement which is known to have taken place since the valuation, should materially increase the dividend to be recovered, and it is not unreasonable to suppose, that as confidence returns, the shares held by the bank as collateral security will be worth more than at the present moment, the more so as they consist for the most part of those of sound legitimate undertakings.

From the statement of profit and loss now before the proprietors, it will be observed that the net profit amounts to Rs. 8,23,714. 11. 11. for the half-year, and that inclusive of this, the balance at credit of profit and loss account is 25,65,733 rupees, after deducting 4,89,948 rupees, debited during the previous half-year for former debts considered irrecoverable. The reserve fund stands at 10,56,000 rupees, which sum, with the undivided profit, will all be absorbed in the bank's losses.

Notwithstanding the unfortunate result, which it is the duty of your directors to report, they feel able to state confidently that the bank is daily recovering its position. Every effort

effort is being made to collect its outstanding debts, and to strengthen the confidence of the public in its future, and the directors would here point out that almost the whole of the losses reported are on account of the transactions of 1864, and the early part of 1865. It is with some satisfaction they are able to state that no losses are likely to arise as far as can be foreseen on the business of the last 12 months, carried on in a time of unparalleled difficulty.

Under the present charter of the bank, it will not be possible to write off the loss now reported to you, except so far as the undivided profits and reserve fund are concerned, and looking to the probability that no inconsiderable part of the estimated loss may yet be found recoverable, your directors would not recommend any alteration which would disturb the nominal value of the shares until another year has elapsed, when it will be in their power to assess more closely the sums to be realized from securities and bankrupt estates. Most of the branches have returned small profits, a few have not paid expenses; those in the latter class have been only established a short time. Instructions were issued more than a year ago that business should be conducted with the greatest caution, and that only transactions of the most undoubted nature, and for small amounts, should be entered into. This course has been adhered to, and so far no losses have to be reported for the past year, while all previous deficiencies have been provided for in the estimate given above.

The bank's agreement with Government now in force expires in the end of February next. It has already been determined by Government to take the management of the Currency Department into their own hands, following the course pursued with the Presidency Banks of Bengal and Madras. The Directors are now in negotiation with the Government for conducting the Treasury business, both at Bombay and at places where branches of the bank are established, and for the renewal of the agreement on modified terms, the result of which is at present unknown.

The Government have proposed to make an alteration in the bank's charter withdrawing the power to advance on the shares of public companies, so as to assimilate it to those of the Banks of Bengal and Madras, to which course your directors have offered no objection. A copy of the Draft Act* will be found in the Appendix.

The auditors' report is also hereto appended.

* Already printed, see page 50.

STATEMENT of the AFFAIRS of the BANK of BOMBAY on 30th June 1866.

Dr.

Cr.

	<i>Rs.</i>		<i>Rs.</i>
To Proprietors' Capital -	2,09,00,000	By Loans and Cash Credits	1,97,28,060
To Bank Notes and Post Bills in circulation at Head Office and Branches -	2,13,453	By Bills discounted - -	1,69,77,220
To Deposit Accounts and Receipts and all other Liabilities - - - -	3,19,64,874	By Dead Stock - - -	8,69,992
To Reserve Fund, including amount at credit of Profit and Loss Account - -	36,22,716	By Stamp Account - -	12,473
		By Adjusting Account of Interest - - -	1,87,450
		By Balances with Correspondents - - -	2,54,947
		By Balances with Branches -	41,74,951
		By Cash and Currency Notes at Head Office - -	1,44,95,950
<i>Rs.</i>	5,67,01,043	<i>Rs.</i>	5,67,01,043

ABSTRACT of PROFIT and LOSS ACCOUNT.

Dr.

Cr.

	<i>Rs.</i>		<i>Rs.</i>
To Charges at Head Office -	1,36,307	By Discount at Head Office and Branches - -	3,49,729
To Rent of Head Office premises - - - -	21,175	By Exchange at Head Office and Branches - -	3,15,344
To Auditors' Allowance -	1,500	By Interest received at Head Office and Branches -	6,58,805
To Charges at Branches -	1,86,739	By Commission - - -	1,39,349
To Interest paid at Head Office	1,56,809		
To Interest paid at Branches -	1,32,773		
To Stationery Account - -	4,210		
To Balance of Profit and Loss Account - - - -	8,23,714		
<i>Rs.</i>	14,63,227	<i>Rs.</i>	14,63,227

PROFIT AND LOSS ACCOUNT.

<i>Dr.</i>	<i>Rs.</i>	<i>Rs.</i>		<i>Rs.</i>	<i>Rs.</i>
Balance of Reserve Fund at this date -	10,56,983		Balance of Reserve Fund, 30th June 1865 - - -	10,56,983	
Balance of Profit and Loss Account at this date - - -	25,65,733	36,22,716	Balance of Profit and Loss Account, 30th June 1865 - -	19,82,085	
Dividend for half-year ending 31st December 1865 at 8 per cent. per annum -	- -	8,36,000	Balance of Profit and Loss Account, 31st December 1865 -	- -	30,39,068
Debited to this account during the past half-year for Debts totally irrecoverable - -	- -	4,89,948	Balance of Profit and Loss Account, 30th June 1866 - -	- -	10,85,881
	<i>Rs.</i>	49,48,664		<i>Rs.</i>	8,23,715
					49,48,664

Bombay, }
30 June 1866.

D. Maclean,
Officiating Chief Accountant.

AUDITORS' REPORT.

WE hereby certify that we have completed an audit of the books and accounts of the Bank of Bombay for the half-year ending 30th June 1866. The following have been submitted for our examination: cash and notes in the treasury; cash and notes with the shroff; copper in the castle; Government paper and share certificates lodged for safe custody; Government paper and share certificates held against advances; current local bills discounted. The above we found to be in perfect order, and to agree with the books in which they are recorded. A list of the past due bills was placed before us, from which it appeared that the majority of them had been placed in the hands of the solicitors for recovery. We have also carefully compared with the ledger, the balance sheet, and profit and loss account, including the accounts with the various branches, and found them to be correct.

Bombay, 17 July 1866.

J. G. Tyndall.
Charles E. Benn.

PRESIDENT'S ADDRESS.

THE report which has just been read to you leaves me little to say. But I wish to speak a few words, before moving for its adoption, as to the mode adopted by the directors in valuing the bank's securities. We determined from the first, that the shareholders should know, so far as we could tell them, the worst of their position, and we accordingly valued everything at the lowest point, so far as could be judged by us.

I need not remind you here through what times we have passed. It will be sufficient to refer to a few instances out of many to enable you to judge if we have over-valued our securities; and when I say that Back Bay shares have been taken at 2,000 rupees, United Victoria's at 1,000 rupees, Elphinstone's at 600 rupees, and others in like proportion, I think you will admit that we have not been over-sanguine.

It is generally conceded, I believe, that a banker is entitled, in valuing his securities, to take them at such figures as will represent their intrinsic value in ordinary times, when the market is neither unduly inflated nor depressed; and had we followed this course, the loss reported would have been less by many lakhs of rupees. The loss, as stated to you, is an exceedingly heavy one, but we have good right to hope that at our next general meeting we shall be able to lay a much more favourable report before you.

The directors during the past few months have had a most difficult part to play, and all of them have cordially co-operated in trying to improve the bank's position. Changes and regulations have been introduced into the management, which have worked beneficially, and all the business transacted has undergone most careful scrutiny.

The time that has passed since I assumed office as your president (some three months ago), has brought me more anxiety with reference to the bank's affairs than I hope ever to have again; and as I resign office from this date, I trust my successor will find the way has been much smoothed for him, and that before long, the bank's affairs may again be in a prosperous state.

The

The chairman concluded his address by moving,—“That the report of the directors now read be adopted, printed, and circulated among the proprietors.”

The motion was seconded by J. L. Lushington, Esq., and after some discussion, carried unanimously.

It was then proposed by G. M. Stewart, Esq., seconded by Sorabjee Cowasjee Powalla, Esq., and carried unanimously, “That the honourable A. J. Hunter, and James Ranken, Esq., be elected auditors to the bank for the current year.”

After a vote of thanks to the chairman, proposed by Dr. Hunter, the meeting terminated.

By order of the Board of Directors,

D. Robertson,
Officiating Secretary and Treasurer.

(No. 2088, dated Simla, 23rd August 1866.)

From *E. H. Lushington*, Esq., Secretary to the Government of India, Financial Department, to the Chief Secretary to Government, Bombay.

A copy of the report of the directors of the bank of Bombay for the half-year ending June 30th, having been laid before the Governor General in Council, I am directed to record the following observations :—

2. His Excellency in Council has read with great concern that the losses of the bank are upwards of 850,000 £, a result which was apparently wholly unexpected by the directors of the bank, who, when writing to the Government of Bombay on the 31st March, or only three months before this half-yearly account was made up, considered “that 300,000 £, after a careful and impartial scrutiny, was the amount of the probable eventual losses.”

3. The losses ascertained by the bank in the preparation of their half-yearly account are thus shown to be nearly thrice as large as the losses estimated for the information of the Government of India only three months previously. In the absence of a sufficiently detailed explanation of the affairs of the bank, as required by my letter of 13th July last, the Governor General in Council is unable to form any opinion how far the directors were justified in taking such a sanguine view of their position at the end of March, and in impressing on this Government at that time that the losses of the bank were likely to be limited to so small an amount compared with that now disclosed in the half-yearly statement.

4. The wide difference between these losses, combined with the very meagre particulars contained in the half-yearly report above noticed, justify the entertainment of grave doubts whether the position of the bank has even yet been stated as faithfully as the Government in common with other shareholders have a right to require.

5. Until the Government of India are in possession of the particulars required in the 15th paragraph of my letter of July 15th, the Governor General in Council will not be in a position to form a sound opinion of the position of the bank, or to arrive at any conclusion as to the future maintenance of a connection between the Government and the bank.

(No. 2344, dated Simla, 13th September 1866.)

From *E. H. Lushington*, Esq., Secretary to the Government of India, Financial Department, to the Chief Secretary to Government, Bombay.

WITH reference to my letters, dated the 13th July and 23rd August 1866, I am desired to enquire when Government may expect the information therein required relative to the position of the Bombay bank. In view of the approaching termination of the contract with the bank it is desirable that there should be no further delay in considering the arrangements which may be necessary for the future transaction of the Treasury business at Bombay.

(No. 892, dated 19th September 1866.)

From the Chief Secretary to the Government of Bombay to *E. H. Lushington*, Esq., Secretary to the Government of India, Financial Department.

I AM directed by His Excellency the Governor in Council, in forwarding copies of the correspondence noted in the margin, to state that as soon as this Government are informed of the action taken by the directors, a further communication on the subject will be addressed to the Government of India.

1. Letter from the Secretary Bank of Bombay, No. 1025, dated 13 September 1866, enclosing, with the remarks of the Directors—
2. Copy of the Report of a Committee appointed to revise the Estimate of the Bank's losses as on the 30th of June 1866, submitted by the Directors at a general meeting of Shareholders held on the 7th of August 1866.
3. Letter from the Acting Under Secretary to Government Financial Department, No. 891, dated September 19, 1866, in acknowledgment of No. 1.

(No. 1025, dated 18th September 1866.)

From *D. Robertson, Esq.*, Officiating Secretary and Treasurer, Bank of Bombay,
to the Chief Secretary to Government, Bombay.

I AM desired by the directors to forward, for the information of His Excellency the Governor in Council, copy of the report received from the committee who, at the request of the directors, were appointed to review their estimate of the bank's losses as on the 30th June last.

It will be observed that the committee whilst expressing an opinion that the estimate formed by the directors and laid before the shareholders at the last general meeting was framed with fairness and carefulness, proceed to comment upon the further loss that has accrued since that date, from the depreciation in the value of securities, and consequent unfavourable out-turn of bankrupt estates.

It being understood that this was done at the express wish of Government, the directors, although questioning the expediency of thus enlarging the powers of the committee, especially as from the limited time at their disposal, the investigation was necessarily hurried and imperfect, have only to state the grounds upon which they differ from the committee in their conclusions.

The committee avowedly base their estimate on the actual market quotations of shares on the date of their report. But it must be remembered that the present is a time of extreme depression, when general distrust has taken the place of the overweening confidence that prevailed but a year and a half ago. The result of this is, that the shares of really sound and legitimate undertakings are most unduly depreciated. Were it absolutely necessary for the bank to force the sale of all its securities, the estimate of the additional loss might be warranted. Such is not the case. The bank can afford to await the re-action which is sure sooner or later to follow this season of panic and depression.

Without going into particulars, the directors wish to state that they consider the committee have very much undervalued the shares in Steam Shipping Companies, and the price obtainable for the land and houses held as collateral security; the opinion of the directors in the case of land being backed by the collector of Bombay.

Again, in the case of bankrupt estates, the directors consider that the committee have adopted a very low estimate of probable dividend. There must, of course, be great latitude of opinion in these cases, but the directors believe that the committee might have availed themselves, in more than one case, of the opinion of the liquidators which is more favourable to the bank than the estimate they have adopted.

In conclusion, the directors feeling strongly that the publication of the bare report of the committee will have a most injurious effect in the present state of affairs, trust that if Government see fit to publish it, they will also make known the basis on which the committee have arrived at the result.

(Dated 8th September 1866.)

From *A. J. Hunter, Edward F. Harrison, and Dainshaw Manockjee, Esqrs.*, to
the Chairman and Directors of the Bank of Bombay.

WE have the honour to state that we have, in accordance with your request, examined the valuation which has been laid before us of the assets of the bank as on the 30th June last.

We are of opinion that the statement affords proof of the fairness and care with which you estimated the position of the bank at the close of the last half year.

We regret, however, to have to state that a large addition must be made to the estimate of the loss incurred by the bank.

During the past two months the shares of certain Joint Stock Companies, held as security for advances have fallen in value, and in many cases of claims from insolvent estates, the probability of a favourable return has greatly diminished.

We have taken the joint stock shares at present market rates, many of which must be considered unduly depressed. The returns from insolvent and other estates have been taken at low estimates, and we hope that eventually the amount realised may prove considerably larger than that at which we have placed it.

On the above basis we estimate the additional probable loss at 34,49,500 rupees, of which you will find details in the accompanying statement.

We find in respect of certain commercial bank shares received as security for advances, and which stand in the name of officers of the Bank of Bombay, that the bank is liable for the calls which can be legally enforced against shareholders in the commercial bank; it is difficult to assign a value to the liability on this account, but we recommend that in estimating the bank's position, provision should be made for eventual loss to the extent of 5,00,000 rupees.

In some cases in which we have differed from your estimate, we have done so with some distrust, owing to our means of information being necessarily less perfect than those which you possess, but we have thought it better to avoid over-estimating the probable recoveries, so as

as to confine our report to an exposition of the state of the bank's affairs as viewed under present unfavourable circumstances.

We have to add that in estimating the value of shares in the Central Bank and the Royal Bank, both now under liquidation, we have differed materially from you, as by the system adopted, we have not enquired as to the amounts that will be returned to the shareholders, but have simply valued the shares at present market prices.

We have to thank you for the ready assistance afforded to us by yourselves, and the principal officers of the bank in the course of the enquiry.

(No. 891, dated 19th September 1866.)

From *J. King, Esq.*, Acting Under Secretary to Government, Bombay, Financial Department to the Secretary and Treasurer, Bank of Bombay.

IN acknowledgment of the receipt of your letter, No. 1025, dated the 13th instant, enclosing a copy of the report of the committee appointed to review the estimate of the bank losses as on the 30th of June last, I am directed to express the entire confidence of Government that the former valuation was at the time a perfectly fair and conscientious one, and their hope that it may yet prove the more accurate estimate of the probable out-turn of the securities held.

2. This conviction, however, does not diminish the value of the present estimate, which may be taken as representing the value of the assets at the extreme lowest point of depression.

3. The bank, therefore, having now before it two carefully considered and most reliable estimates, the one of probable out-turn, the other of the least favourable result which can be apprehended, the immediate practical question is, what step the bank should take to bring its nominal capital into accord with its actual assets, and whether any, and what means beyond the Act lately passed can be devised for improving the management of the future?

4. His Excellency in Council considers that these are questions for the shareholders to decide, and that the sooner they are decided the better; but I am directed to suggest to the directors whether the importance of the points at issue would not justify the delay necessary to allow absent shareholders to vote by proxy under Section XXIII. of the Charter Act.

5. In conclusion, I am desired to add that, in His Excellency's opinion, the Committee appear well to deserve the thanks of the shareholders for having efficiently performed a most unpleasant duty, and that this may be said without any reflection on the directors who concurred in the former estimate, and who appear entitled to the undiminished confidence of the shareholders of the bank at this great crisis.

(Dated 3rd October 1866.)

Telegram from the Financial Secretary, Government of India, to the Secretary to Government, Bombay.

Please send statement prepared by committee appointed to review estimate of Bank of Bombay losses on 30th June. The statement is referred to in their letter to directors of bank. More by post.

(No. 2613, dated 3rd October 1866.)

From *E. H. Lushington, Esq.*, Secretary to Government of India, Financial Department, to the Chief Secretary, Government Bombay.

I AM directed to acknowledge the receipt of your confidential letter of the 19th ultimo, No. 892, forwarding a report from the committee appointed to revise the estimate of the losses of the Bank of Bombay, with connected correspondence; and in reply, to convey, the following observations:

2. In March last, a few days before advices were received of the fall in the cotton market at home, the bank estimated their losses at 30 lakhs of rupees.

Three months later in their half-yearly report to their proprietors the bank nearly trebled the above-named estimate.

3. The result of the investigations of the committee appointed to examine the assets and liabilities of the bank has increased the estimate of loss by two-fifths, and it is now stated

at 1,190,000 *l*. The estimate of the committee is based upon the actual market value of the securities held by the bank.

4. The directors do not concur in this estimate, grounding their dissent in the certainty of the re-action which must sooner or later succeed the present depression of commercial affairs.

5. The probability of a re-action may be admitted; but it does not follow that the effect will be to restore in any degree the value of the securities held by the bank. On the contrary, much of this property is likely to become valueless altogether.

6. The wide discrepancy between these several estimates framed during a period not exceeding six months, renders it more than ever necessary to insist upon the production of the detailed information which the Government of India called for in the 15th paragraph of their despatch to Bombay, dated 13th of July last, No. 1456, but which notwithstanding repeated remainders has not yet been furnished.

7. In the absence of such information the Governor General in Council cannot concur in the "entire confidence" expressed by the Government of Bombay "that the former valuation was at the time a perfectly fair and conscientious one," nor can the Governor General in Council appreciate the grounds upon which the Government of Bombay formed their "hope that it may yet prove the more accurate estimate of the probable out-turn of the securities held."

8. The Governor General in Council, however, does not feel called on to publish the report of the committee. It is for the directors to afford their constituents such information as to the position of the bank, as the latter may be entitled to expect. But it is the duty of the Government of India, as the largest shareholder in the bank, and as trustee of the Treasury balances in their custody, to require that the full and unreserved exposition of their affairs, so repeatedly demanded, shall no longer be withheld.

9. Meanwhile the Governor General in Council concurs in the suggestion made by the Bombay Government to the Bank of Bombay to bring its nominal capital into accord with its actual assets.

(No. 3053, dated Simla, 26th October 1866.)

From *E. H. Lushington*, Esq., Secretary to the Government of India, Financial Department, to the Secretary to Government of Bombay.

WITH reference to the correspondence regarding the affairs of the Bank of Bombay, which has now extended over 15 months, I am desired to draw the attention of the Government of Bombay to the fact that the present agreement between the Bank of Bombay and the Government will come to a close in the ensuing March.

2. Under any circumstances a new arrangement must then be made for the Currency Department, according to the plan now in force in Bengal, but before entering into any consideration for the disposal of the business of the General Treasury, it is absolutely necessary not only that the Government of India should be in possession of the statement of the precise position of the affairs of the Bank of Bombay, which has been so repeatedly called for, but also that the Governor General in Council should have time to consider the new Bill for the amendment of the Bank Charter, which has never yet been submitted, and, further, that a copy of the proposed bye-laws for the general management of the Bank should be furnished to this Government, so that the Government of India may feel assured that the business of the General Treasury, and their interests as large shareholders in the bank will be efficiently conducted and maintained.

3. I am to request that the information now called for, may be furnished in sufficient time to enable the Governor General in Council to take up this subject immediately on return of the Government to Calcutta at the close of next month.

(No. 1085, dated 22nd November 1866.)

From *F. S. Chapman*, Esq., Chief Secretary to the Government of Bombay, to *E. H. Lushington*, Esq., Secretary to the Government of India, Financial Department.

I AM directed to acknowledge the receipt of your letter, No. 3053, dated the 26th October last, and in reply to forward for submission to the

1. Letter from the Officiating Secretary and Treasurer Bank of Bombay, dated 27 July 1866.

2. Government Letter to the Secretary and Treasurer Bank of Bombay, dated 31 July 1866.

3. Letter from the Officiating Secretary and Treasurer Bank of Bombay, dated 21 August 1866.

4. Government Letter to the Secretary and Treasurer Bank of Bombay, dated 29 August 1866.

5. Letter from the Officiating Secretary and Treasurer Bank of Bombay, dated 5 September 1866.

Government of India, copies of the correspondence, as per margin, which has passed between this Government and the Directors of the Bank of Bombay, relative to the renewal of the present agreement, which will expire on the 28th February 1867.

2. His Excellency the Governor in Council is of opinion that provided a statement that will be called for at the end of December next, does not disclose a more unfavourable estimate

estimate of the losses sustained by the Bank than that* recently arrived at by the Special Committee, and provided that the resolution for reducing the nominal capital in accord with actual assets proposed at the meeting held on the 12th ultimo, is confirmed by that to be assembled on 15th January next, the agreement with the bank should be renewed from the 1st March next, on the terms offered by the directors in their letter, dated the 5th September last.

3. With reference to the remarks contained in the 2nd para. of your letter under acknowledgment, I am directed to point out that the new Bill for the amendment of the Bank Charter was submitted† for the assent of his Excellency the Viceroy and Governor General, as far back as 13th October last; that a copy of the rules now in force for the general management of the bank was furnished with the Under Secretary's letter, No. 609, dated 16th June 1866; that the Government of India have already been informed of the actual present position with respect to assets and liabilities as ascertainable from the report of the Special Committee above referred to, and that the figured statement referred to in para. 9 of my letter, No. 987, dated 22nd ultimo, is now under preparation, and will be submitted as soon as it is received from the bank.

4. For the sake of easy reference a printed summary of the correspondence that took place when the subject of the renewal of the agreement was last under discussion is annexed.

(No. 3845, dated 27th July 1866.)

From *D. Robertson*, Esq., Officiating Secretary and Treasurer, Bank of Bombay, to the Chief Secretary to Government of Bombay.

I HAVE the honour, at the request of the directors, to bring to your notice that the agreement between Government and the bank expires on the 28th February 1867, and I am requested to inquire if it is the intention of Government to renew the same for a further number of years.

2. For several reasons it is of great importance to the bank that the directors should now have early information on this subject. One strong plea for an early settlement of the matter is the fact that 40 lakhs of the Government balance are invested in the ordinary business of the bank, and the sudden calling up of advances for such a large amount, would, without doubt, seriously inconvenience the constituents of the bank. My directors therefore trust that Government will favour the bank with an early reply to this communication.

(Dated 31st July 1866.)

From *F. S. Chapman*, Esq., Chief Secretary to Government, Bombay, to the Secretary to the Bank of Bombay.

I AM directed to reply to your letter, No. 3845, dated the 27th instant, inquiring whether it is the intention of this Government to renew for a further number of years the agreement that at present exists with the bank.

2. His Excellency the Governor in Council desires me to refer you to the correspondence terminating with my letter, No. 703, dated the 7th August 1865, conveying the remarks of Her Majesty's Principal Secretary of State, consequent on the rejection by the directors of the terms offered to them; and to add that the Governor in Council would be glad if the directors of the bank will now state the conditions on which they may be willing to conduct the business of Government on the expiration of the existing agreement.

3. His Excellency, the Governor in Council, will give any such proposals his best consideration, and will lose no time in communicating them to Her Majesty's Secretary of State and the Government of India, with whom it will rest to decide finally on them.

(No. 972, dated 21st August 1866.)

From *D. Robertson*, Esq., Officiating Secretary and Treasurer, Bank of Bombay, to the Chief Secretary to Government, Bombay.

I HAVE the honour to acknowledge receipt of your letter without No. , dated 31st July last, in which it is stated that "the Governor in Council would be glad if the directors
of

* Submitted to the Government of India with confidential letter dated 19th September 1866, No. 892.

† Legislative Department, No. 380, dated 13th October 1866.

of "the bank will now state the conditions on which they may be willing to conduct the business of Government on the expiration of the existing agreement."

In reply, my directors desire me to state that as they consider the renewal of the agreement with Government to be of vital importance to the bank, they are willing to take the proposals contained in the letter from the Government of India as the basis of the new arrangement.

Proposals of Government.

I. That the agency of the Bank of Bombay for the issue and circulation of Currency Notes should cease.

II. That the annual sum of 2,47,500 rupees (being $\frac{3}{4}$ per cent. on 3,30,00,000 rupees) be paid to the bank till 1st March 1867, as compensation for loss of agency.

III. That the bank act as bankers to Government, average annual balance of 40 lakhs to be shown as Government balance, and if the Government balance fall at any time below 20 lakhs, interest will be paid on the difference between the amount of actual balance and 20 lakhs. Interest to be at the average rate paid by the public on fixed loans during the month. The Government cash balance not to include copper money packed for remittance, nor any separate accounts of public officers apart from Government account.

IV. The bank to act in the same capacity at places in the Presidency where branches are established. Bank to be at liberty to employ for its own benefit the Government balances deposited at branches, but they must be shown in bank's accounts as Government balance, and bank to be ready at all times to meet Government drafts.

V. The bank not to draw or purchase bills of exchange or letters of credit payable out of India.

VI. That the present payment of 12,240 rupees for establishment continue during the term of new agreement.

VII. The bank to undertake the management of the registered public debt at Bombay presently performed by the Accountant General, including payment of interest, and to be responsible for any losses that may occur in such management. The bank to be paid 4,000 rupees per crore of the portion of the debt payable in the Bombay Presidency.

My directors are willing to receive either $\frac{3}{4}$ per cent. on the actual issue of notes between this and the 1st of March next, or to receive $\frac{3}{4}$ per cent. on 4 crores of rupees, the actual amount in issue being at this time $4\frac{1}{4}$ crores.

My directors would be very glad if Government would consent to modify these terms. The sum allowed for banking purposes is only 20 lakhs of rupees, and if the small silver and copper money amounting to 15 lakhs of rupees are to be considered as forming part of Government balance, there remains in reality only five lakhs of rupees for banking purposes. The Government of India have allowed a sum of 45 lakhs to the Bank of Bengal, and only 20 to this bank, and I am to express a hope that the Government of India, taking the above circumstances into consideration, will be pleased to allow a larger sum to this bank for banking purposes.

The bank will be happy to agree to these terms, though they do not expect to derive much benefit therefrom, as all available sums are brought to the Presidency or sent to treasuries in the interior which are unable to meet all the demands made upon them without assistance.

To this the directors are ready to agree. Since the agreement was first entered into, the Local Government denied the bank this right.

While consenting to these terms, the directors beg to observe that the sum allowed does not cover the cost of the establishment employed for conducting Government duties, and they would urge this as another reason for modifying the third proposal.

It has been approximately estimated that the portion of the public debt, the interest on which is payable in Bombay, is rather more than six crores, so that the commission to be paid to the bank would amount to 24,000 rupees per annum, or perhaps a trifle more. It has been ascertained from the Accountant General that the establishment employed on these duties costs Government monthly—

	<i>Rs.</i>			
Minimum	-	-	-	1,013
Mean	-	-	-	1,153
Maximum	-	-	-	1,292

Taking the mean cost, there remains a sum of rather more than 10,000 rupees to cover the expenses for contingencies, postage (most of

of the letters are registered), registers made of the largest and most expensive paper, law expenses, *i.e.*, payment for opinions on endorsements, or other technicalities which are frequently arising, and, above all, the risk. When the above circumstances have been considered, it is hoped the Government of India will be pleased to increase the sum they have proposed to give the bank.

My directors would request that the sum proposed to be allotted as remuneration to this bank may be compared with the amount likely to be derived by the Bank of Bengal. It is believed that the portion of the public debt, the interest on which is payable in Calcutta, amounts to about 70 crores; for each crore the bank is to receive 3,500 rupees, or $Rs. 3,500 \times 70 = Rs. 2,45,000$. In addition to this, the bank is to receive the fees for renewing, consolidating, and dividing notes, which altogether must amount to a considerable sum. If the portion of the debt, the interest on which is payable at Calcutta, falls below 30 crores, the remuneration is to be re-considered and re-adjusted. Comparing, then, the amount likely to be received by the Bank of Bengal with that which this bank is likely to receive, my Directors trust the Government of India will be pleased to raise the amount proposed to be given to this bank as remuneration for conducting the duties connected with the public debt.

VIII. The agreement to take effect as soon as it can be prepared, and to last for seven years from 1st March 1867.

To this my directors readily assent, and, in conclusion, they would respectfully submit that though, in consideration of the great importance to the welfare of the bank of the renewal of the Government agreement, they are desirous of leaving the matter in great measure in the hands of Government, they trust that the objections they have urged to certain of the stipulations proposed by the Government of India may meet with the liberal consideration of Government, and that Government may see its way to so modifying these stipulations that its accounts may become a source of profit in place of, as it is feared, positive loss to the bank.

(No. 843, dated 29th August 1866.)

From *J. King, Esq.*, Acting Under Secretary to Government, to the Officiating Secretary and Treasurer, Bank of Bombay.

WITH reference to your letter, No. 972, dated the 21st instant, I am directed by his Excellency the Governor in Council to request that you will be so good as to state more precisely the exact modifications which the directors wish to make in the III., VI., and VII. proposals of the Government of India, regarding the basis of a new arrangement between the Government and the bank.

(No. 1035, dated 5th September 1866.)

From *D. Robertson, Esq.*, Officiating Secretary and Treasurer, Bank of Bombay, to the Acting Under Secretary to Government.

I HAVE the honour to acknowledge receipt of your letter of 29th ultimo, requesting the directors to "state more precisely the exact modifications which they wish to make in the "III., VI., and VII. proposals of the Government of India, regarding the basis of a new arrangement between the Government and the bank."

In reply, I am instructed to state that the directors would be glad if the clauses referred to were modified as follows; *viz.*:

CLAUSE III.

That the present maximum and minimum balances, 40 and 30 lakhs of rupees respectively, be continued in the new agreement; and that the daily balance be taken, and not the average annual balance, should it be necessary to charge interest owing to the balance falling under 30 lakhs of rupees.

CLAUSE VI.

"The present annual payment of 12,240 rupees for establishment, to be continued during the terms of the new agreement."

The directors will be satisfied with this amount if Clause III. is modified as they propose.

CLAUSE VII.

“Public Debt.”

The directors would propose that the minimum annual payment to the bank should be 32,000 rupees; and should the amount of debt exceed 8 crores of rupees, then the remuneration to be at the rate of 4,000 rupees per crore.

I would here beg to correct an error in my letter of 21st ultimo. I there stated that the amount of public debt in Calcutta amounted to 70 crores of rupees; whereas, from a revised abstract of totals of the Loan Statements, since received, it appears the amount is only about 34 crores.

S U M M A R Y.

WITH a letter dated the 4th January 1861, No. 149, the Government of India forwarded

Memorandum by Mr. Lushington, Financial Secretary to the Government of India, dated 20 December 1860, communicating certain suggestions to the directors of the Bank of Bengal.

Memorandum by the directors of the Bank of Bengal, dated 29 December 1860, communicating their views in respect to the suggestions contained in the above memorandum.

a copy of the papers noted in the margin, relative to the contemplated withdrawal of the privilege of paper issue enjoyed by the Bank of Bengal, and requested that it might be ascertained from the directors of the Bank of Bombay what sort of terms they would be prepared to consider, with a view to their adoption as the basis of a formal official proposition to be made to the bank.

2. The following were the suggestions contained in Mr. Lushington's memorandum:—

“(1.) That the bank cannot be admitted to have any claim *as of right* to compensation, but that they are certainly in a position deserving of much consideration, and one in which they may equitably look for all reasonable support on the part of Government.

“(2.) That in estimating the extent of consideration to be given to the bank it will be taken for granted that, under the Act of Incorporation, no legal liability is incurred, either by the Government or any individual shareholder, for the debts of the bank beyond the interest of the Government, or of such individual shareholder, in the capital and funds of the bank.

“(3.) That the following measures will allow of the profits of the bank being maintained at their present standard, and at the same time impose no greater restrictions than are necessary for the protection of the interests of Government, viz.:

“1stly.—That the Government should have a more powerful voice in the direction of the bank's affairs.

“2ndly.—That the appointments of secretary, deputy secretary, and accountant, should be subject to the approval of Government.

“3rdly.—That provision should be made for the periodical examination of the accounts and proceedings of the bank by a Government Inspector.

“4thly.—That, on these three conditions being agreed to, the restrictions at present imposed on the bank, of having at all times a balance of cash equal to one-fourth of its liabilities on demand, be withdrawn; and that the Government transfer to the bank the whole of the business now conducted by the General Treasury in respect to the receipt and payment of money, together with an amount equal to the cost of the subordinate establishment of the Sub-Treasurer's Office, subject to the condition that, on any occasion when the balance at the credit of Government shall be in excess of 50 lakhs of rupees, such excess balance shall be invested in Government securities, to be deposited in the hands of the Accountant General to the Government of India, or such other officer as the Government may name.”

3. To the above the directors of the Bengal Bank, in their memorandum of the 29th December 1860, replied thus:—

“(2.) Subject to the modifications after mentioned, the leading principles embodied in the suggestions submitted by Mr. Lushington meet with the general approval of the directors, and may, in their opinion, properly form the basis of an equitable arrangement, under which the connection of the bank with Government may be continued.

“1st.—As regards the transfer to the bank of the whole of the business now conducted by the General Treasury in respect to the receipt and payment of money, together with a yearly payment of 42,666 rupees, equal to the cost of the subordinate establishment, the bank will undertake the management of that department on the terms above specified.

“2nd.—With reference to the stipulation, that on any occasion when the balance at the credit of Government shall be in excess of 50 lakhs of rupees, such excess shall be invested in Government securities, to be deposited in the hands of the Accountant General; that, on the ground of the bank having had for some years past the use of a floating average balance of Government accounts amounting to nearly 20 lakhs, the directors propose that the minimum balance should be 70 lakhs of rupees instead of 50 lakhs, and that the excess

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over 70 lakhs should, at the discretion of the directors, be either invested in Government securities, or in the discount of Government acceptances and other claims against Government, or otherwise held solely on account of Government in cash or currency notes, so as not to be available for ordinary banking purposes.

"3rd.—The directors have no objection to the periodical audit of the accounts of the bank by a Government inspector.

"4th.—With regard to the general proposition that Government should have a more powerful voice in the direction of the bank's affairs, that with the right of audit conceded, and looking to the restrictions otherwise imposed on the bank in dealing with the Treasury balances, the directors trust that the existing constitution of the bank may be preserved in so far as it provides for the appointment of *three* Government and *six* proprietary directors. Should the directors, however, be disappointed in their expectation, and should Government continue to insist upon additional representation at the Board, it is probable that the difficulty may be met by the appointment of *four* official directors, instead of *three*, thus making the Board to consist of *ten* instead of *nine* members, as at present. The directors are further of opinion that, with these additions to Government representation and to Government control in the affairs of the bank otherwise, no direct approval of, or veto on, the appointment of secretary, deputy secretary, and accountant is necessary, and they trust that this proviso will not be insisted on.

"(3.) In the prospect of those fundamental changes in the constitution of the bank as regards its relation towards the Government being carried out, the directors are glad to observe that the Government are otherwise well disposed to accede to a relaxation of the restrictions upon the description of business which the bank is authorised by its existing charter to undertake, and they will be glad if arrangements can be made for carrying into effect the contemplated changes simultaneously with the proposals now under discussion."

4. Before a reply from the directors of the Bombay Bank to the reference which was accordingly made was received, the Government of India with a letter, No. 1494, dated 11th February 1861, forwarded to this Government drafts of a notice to the directors of the Bank of Bombay and of a separate letter addressed to them in the same forms in which the directors of the Bank of Bengal had been addressed, regarding the proposed modification of the bank, and the powers and authorities thereof, and at the request of that Government this notice and separate letter were issued to the directors of the bank under date the 21st idem, Nos. 149 and 150.

5. The notice informed the bank, in conformity with Act III. of 1840, that from and after the expiration of 12 calendar months from the receipt of the notice by the directors, the Bank of Bombay, and the powers and authorities thereof, would be modified as follows:—

"1st. By withdrawing the power to issue promissory notes conferred on the bank by the said Act, which power will thenceforth be determined.

"2ndly. By substituting for the provisions contained in section 11 of the said Act a provision that the business of the said bank shall be managed by *ten* directors, of whom *four* shall be appointed and be removable by the Governor of Bombay in Council, and the remaining *six* shall be elected by a general meeting of the proprietors of the bank, and removable by the orders of a majority of such a general meeting."

6. The separate letter with which the above notice was forwarded informed the directors that the notice was served because it was necessary to fill in the date in the Bill to provide for a Government paper currency, at which its operation should in any event commence, and that it was not the desire of Government to break off the arrangements which had been partly negotiated for effecting this object more speedily under conditions satisfactory to the existing bank, but that, on the contrary, Government contemplated extending those arrangements by employing the bank, in certain cases, as the agents of Government for the management of the new paper currency, and that as soon as the Bill had passed through the Committee of the Legislative Council, the directors would be addressed further on the subject. The latter part of the notice, it was added, was only intended to cover the possible contingency of some change of the sort being suggested in the course of the negotiation.

7. With reference to the memoranda by Mr. Secretary Lushington of the 20th December 1860, and by the directors of the Bank of Bengal of the 29th idem, the directors of the Bombay Bank, in a letter, No. 1684, dated 5th April 1861, stated that they concurred generally in the views of the directors of the Bengal Bank. Vide paragraphs 1 to 3 of Summary.

8. A copy of this letter was forwarded to the Government of India under date the 13th April 1861, No. 293.

9. On the same date (13th April 1861) a letter dated 1st idem, No. 3649, was received from the Government of India, with which they forwarded, with reference to their letter, No. 1494, dated 11th February, copy of a correspondence with the directors of the Bank of Bengal, regarding the terms of agreement accepted by that bank in connection with the transfer to it of the management of the Government balances and paper currency. Vide paragraph 4 of Summary.

10. These terms were originally set forth in a memorandum from Mr. Secretary Lushington, dated 19th March 1861, from which the following is extracted:—

"His Excellency the Governor General in Council has had under his consideration the
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several modifications proposed in the existing charter of the bank and agreed to by the directors, and is pleased to approve those modifications, with the following exceptions, namely, that the modified provisions of section 9* shall be subject to the ordinary law of stamps on transfers, and that the alteration in section 25† in regard to the buying and selling of bills of exchange and other negotiable instruments, shall be struck out, and the provision of the present charter retained, under which the operations of the bank in respect to exchanges are confined to “buying and selling of bills of exchange payable in India,” provided, however, that in the case of bills drawn in favour of the bank’s constituents the bank shall be allowed to make remittances to England to meet such bills.

“(2.) In respect to the custody of the Government cash balance it is proposed—

“1st.—That the whole of the business now conducted by the general treasury in respect to the receipt and payment of money be transferred to the Bank of Bengal, which will transact all the business that a bank transacts for a customer.

“2ndly.—That a yearly payment of 43,606 rupees, equal to the present cost of the subordinate establishment of the general treasury, be made to the bank.

“3rdly.—That the bank be remunerated for the custody of the Government balances by the use of the cash balance, free of interest, to the amount of 70 lakhs of rupees, and on the understanding that the balance shall not fall permanently below 30 lakhs, the usual minimum balance at the general treasury, without its being made up to the bank by some allowance for the transaction of the Government business.

“4thly.—That if, on any occasion, the Government cash balance be in excess of 70 lakhs of rupees, such excess shall, at the discretion of the directors of the bank, be either invested in Government securities, or in the discount of Government acceptances and other claims against Government, or otherwise held solely on account of Government in cash or currency notes, so as not to be available for ordinary banking purposes.

“5thly.—That the accounts and proceedings of the bank be periodically examined by a Government inspector.”

“(3.) With regard to the management of the paper currency, it is proposed—

“1st. That the bank shall undertake the complete agency of all business connected with the issue and payment of notes to the public, so that the Government may have no more to do than to manufacture and prepare the notes and exchange them periodically with the bank for coin or bullion, or *vice versa*; or, in other words, that the bank shall transact

* *Charter of the Bank of Bengal, being Act No. VI. of 1839 of the Government of India.*

IX. And it is hereby enacted, that the said share or shares of the capital stock of the said bank shall be of the nature of personal estate of the proprietors thereof respectively, and that the same shall be transferable by endorsement to be made on such certificates thereof respectively, under the hand of the proprietor or proprietors, or his, her, or their attorneys duly authorised, which endorsement shall specify the name of the person or persons to whom the said transfer shall be made, provided that no such endorsement shall be effectual to transfer any such share or shares until such endorsement shall have been registered at the Bank of Bengal, and such registration shall have been noted on such endorsement under the hand of an officer appointed for that purpose by the directors of the said bank.

Proposed Alterations.

IX. And it is hereby enacted, that the said share or shares, interest or holding, in the capital or consolidated stock of the said bank shall be of the nature of personal estate of the proprietors thereof respectively, and that the same shall (first) in the case of *shares* be transferable by endorsement, to be made on such certificates thereof respectively under the hand of the proprietor or proprietors, or his, or her, or their attorneys duly authorised, which endorsement shall specify the name of the person or persons to whom the said transfer shall be made; (secondly) in the case of consolidated stock in like manner by deed of transfer in the form hereto annexed under Schedule A., provided always, as it is hereby expressly provided and enacted, that no such endorsement or deed of transfer shall be effectual to convey any such share or shares, or consolidated stock, until such endorsement or deed of transfer shall have been registered at the Bank of Bengal, and such registration shall have duly noted on such endorsement or certified by a writing or certificate under the hand of an officer appointed for that purpose by the directors.

Proposed Alterations.

† XXV. And it is hereby enacted, that the said Bank of Bengal shall not be engaged in any kind of business except the kinds of business hereinafter specified, that is to say:—

1. The discounting of negotiable securities.
2. The keeping of cash accounts.
3. Buying and selling of bills of exchange payable in India.
4. The lending of money on short loans.
5. The buying and selling of bullion.
6. The receiving of deposits.
7. The issuing and circulating of cash notes and bank post bills.
8. The selling of property or securities deposited in the bank as security for loans and not redeemed, or of property or securities recovered by the bank in satisfaction of debts and claims.

XXV. And it is hereby enacted, that the business of the Bank of Bengal shall consist of banking in all its branches, particularly in advancing or lending money on Government securities, in discounting, buying, and selling bills of exchange and other negotiable instruments payable in India, the United Kingdom of Great Britain or Ireland, or elsewhere, making *investments* on Government securities, granting bank post bills and letters of credit drawn payable to order or otherwise than to bearer on demand, buying and selling bullion, gold or silver, receiving of deposits, granting cash accounts or credits, making advances on and selling any goods, wares, merchandise, or other property, and securities deposited, assigned, recovered, or held by the bank as security for loans or other advances, debts and claims; to act as agents in the transaction of business for commission or profit, but for and in no other adventure, trade or calling, than in that of banking in all its branches

transact all business for the Government, which the banking department of the Bank of England does for the issue department.

2ndly.—That in the Presidency town a settlement with the mint shall take place daily, if required by the banks, the bank providing a separate room or strong box, if required by the mint, where notes, coin, or bullion, the property of the issue department of the mint, shall be kept under its contract apart from the property of the bank.

3rdly.—As regards the establishment of branch banks, the Government will in each Presidency prefer dealing with the Presidency Bank, where the ground is unoccupied. But where other banks have been established before the Presidency Bank thinks fit to establish a branch, the Government considers that they will have a preferable claim on equal terms, and finding proper security.

4thly.—Wherever the Bank of Bengal may hereafter think fit to open a branch at any such unoccupied place, this arrangement shall extend, subject to the following modifications.

5thly.—If it be clear that the interest on the average cash balance at such place is not enough to make a fair contribution towards the expense of the branch bank, the Government will give such fixed annual payment as may be agreed upon in each case, not exceeding the saving of cost to the Government at such place by the bank taking its business.

6thly.—The branch bank will undertake to cash district notes issued through it until coin can be received in exchange for such notes from the Presidency Mint in reply to a telegraphic message. It is understood, however, that in case of emergency, or as a matter of convenience and mutual arrangement, the local treasury will assist the branch bank, as far as possible, in meeting a demand for coin in exchange for notes until there is time to obtain a supply from head quarters.

7thly.—As a matter of convenience, a separate chest or room will, if required by the Government, be provided at the branch bank for the issue department, under the control of the Government officer appointed to take charge of the issue, who will be generally the nearest collector, or chief revenue authority.

8thly.—The control of this officer will not extend to any ordinary banking operations, but as the bank will have the custody of the Government cash balances, the Government will have a right to require periodical returns. Subject to this, however, and as a general rule, the Government will abstain from all interference with the course of banking business and look to the credit of the bank, the liability of the shareholders, and the special security given, as its guarantee for the bank carrying out its engagements. But this resolution does not apply to any portion of the issue department, which, for convenience, the Government may keep at the bank, or any of its branches. This department will be under the direct control of Government, who may interfere at any time, and establish a frequent joint audit by a Government officer and bank director or officer, in order to verify the stock of notes, coin, and bullion.

9thly.—The remuneration to the bank for conducting the note business shall consist of a commission of three quarters per cent. per annum, on the average amount of circulation of Government notes through the bank and its branches.

10thly.—The terms of this agreement between the Government and the bank will be subject to a revision, at the option of either party, after a period of not less than three, or exceeding five years, as the bank may prefer.

11. To the above, Mr. Dickson, the secretary and treasurer to the Bank of Bengal, in a letter, dated 21st March 1861, replied as follows:—

“The directors, at their meeting of date, have had under consideration the modifications in sections 9 and 25 of the new charter, suggested by his Excellency the Governor General in Council, and I am instructed to inform you—

“1st.—That the Board agree to the proposed alteration in the latter section, and to any addition to clause 9 which may be necessary to make it more clear that the transfers of the bank shares are liable to the ordinary duties imposed by the Stamp Act.

“2nd.—With regard to the custody of the Government cash balances, I am to observe, that the whole terms proposed are agreeable to the Board, with this exception, that in clause 3rd, instead of the words ‘on the understanding that the balance shall not fall permanently below 30 lakhs, the usual minimum balance at the general treasury, &c.’ the directors propose to insert the following amended provision, viz., ‘on the understanding that the balance shall not fall below an average monthly balance of 50 lakhs, without its being made up to the bank by an allowance to be hereafter determined.’

“3rd.—In respect to the management of the paper currency, I am directed to state that the directors agree to the scale of remuneration to be allowed, and to the conditions otherwise laid down by his Excellency the Governor General; but (with special reference to clause 6) on the understanding that the bank is not to give any absolute undertaking implying an obligation to provide silver for cashing the new currency notes, beyond doing at all times the utmost in their power to protect the Government circulation. In ordinary times no difficulty is likely to arise, and the directors think that by mutual arrangements between the Government and the bank any extraordinary emergency would, without much difficulty, be surmounted.

“4th.—As regards the establishment of branch banks, I am to state that the directors feel strongly that the provisions Nos. 3 and 4, if carried out, would prove highly injurious to the interests of the Bank of Bengal. They would represent to his Excellency, the

Governor General in Council, that the clauses referred to should be so modified that the branches of the Bank of Bengal, wherever the directors may *now* undertake to establish them, shall in every case be preferred by Government, and dealt with accordingly, and that such other branches as may *hereafter*, with the sanction of Government, be established by the bank, within a given period to be fixed and approved by his Excellency the Governor General in Council, shall in like manner be preferred by Government to those of any other establishment."

12. The correspondence ended with the following reply from Mr. Secretary Lushington, dated 1st April 1861, No. 3647 :—

"There are three proposals in the letter under acknowledgement, respecting which I am desired to communicate the following observations:—

"1st.—As regards the minimum balance, the Governor General in Council is willing to accede to your request that it may be limited to 50, instead of 30 lakhs, provided all other points are settled satisfactorily.

"2ndly.—With respect to the proposal, that the bank should not be required to give any absolute undertaking, implying an obligation to provide silver for cashing the new currency notes, beyond doing at all times the utmost in its power to protect the Government circulation, his Excellency in Council observes that the clause regarding the obligation of the bank to cash notes, until coin can be received in exchange for such notes from the mint, is not intended to include any case which might appear to the Government to partake of the character of an extraordinary and unforeseen emergency. This is, in fact, understood from the nature of the case; but, under all ordinary circumstances, the bank is expected to fulfil its obligation to provide for the notes, as this is one of the great inducements with the Government to make the arrangement with the bank, and to pay a commission of three quarters per cent. per annum, on the average amount of circulation of Government notes through the bank and its branches. At the Presidency banks, where the largest issue will take place, the mint will be available at once, and the banks will not have to keep any special reserve. In other cases the general cash balance at the local treasury, being in the custody of the bank, will be available to aid in cashing notes until specie can be obtained from the mint in reply to a telegram; and the Government are prepared to give the assurance that they will assist the branch bank in every reasonable way, but with this assurance, and that given in the preceding paragraph respecting emergencies, the bank must undertake the obligation of providing for the notes.

"3rdly.—With reference to the proposal that branches of the Bank of Bengal should be preferred by the Government to the branches of any other banks, his Excellency in Council considers that it would be unfair to the other banks to give the Bank of Bengal a monopoly of all branches where branch banks now exist. His Excellency in Council would not object, however, to the Bank of Bengal having the preference on equal terms whenever it likes to establish branches at unoccupied places. At places already occupied, such as Agra, Cawnpore, Lahore, Kurrachee, Delhi, and Lucknow, the Bank of Bengal may, if it chooses, establish branches, and to these the Government would, at the end of three or five years, give an opportunity of competing for the business, if the terms offered should be more advantageous to Government than those offered by the other banks."

13. In forwarding the above correspondence to this Government, Mr. Secretary Lushington, in his letter, No. 3649, dated 1st April 1861, wrote as follows:—

"(2.) The present charter of the Bank of Bombay, it will be seen, has to be modified.

"(3.) The only modifications to be made in the terms of agreement, with a view to adapting them to the circumstances of the Bank of Bombay, are such as relate, 1st, to the present cost of the subordinate establishment of the general treasury, mentioned in article 2 of the first part of the memorandum regarding the custody of the Government balances; 2ndly, to the maximum cash balance specified in article 3 of the same memorandum; and, 3rdly, the minimum stated in my letter to the directors of the Bank of Bengal, No. 3647, of this date.

"(4.) With respect to the subordinate establishment of the general treasury at Bombay, the Governor General in Council observes, from the budget estimates of that Presidency, that the present total charge on account of the general treasury is 42,970 rupees* per annum; but as this sum includes 24,000 rupees on account of the sub-treasurer's salary, and 1,620 rupees on account of contingencies, as well as the cash-keeper's salary, and other sums which ought to be excluded from the account (as has been done in Calcutta) in calculating the allowance to be transferred to the bank for the management of the receipts and disbursements of Government, the amount to be substituted for the figures in article 2 of the terms of agreement can best be fixed by the Government of Bombay.†

"(5.) In regard to the maximum and minimum balances, I am desired to observe, with reference to my letter, No. 149, dated the 4th January last, and its enclosures, that the average

* Including the General Pay Office.

† As this subject does not appear to be relevant to the purpose of the present summary, the subsequent correspondence relating to it will not be noticed. It may be sufficient to state that it resulted in the Government of India directing that the sum of 12,240 rupees per annum (*i.e.* 4,320 rupees per annum less than the cost of the establishments of the General Treasury and General Paymaster) should, as originally proposed by the Deputy Auditor and Accountant General, be allowed to the Bank of Bombay.

average daily circulation of the Bank of Bengal for the years 1856 and 1857 was 150½ lakhs. If on this, as the basis of calculation, the maximum and minimum balances for the Bank of Bengal have been fixed at 70 and 50 lakhs respectively, then the maximum and minimum balances in the case of the Bank of Bombay will be 30½ and 21½ lakhs respectively, 65½ lakhs being its average daily circulation, as ascertained from the monthly statements of the assets and liabilities of that bank for the two years above mentioned. *Vide paragraph 1 of Summary.*

“(6.) This principle is obviously the right one on which to base the arrangement, as the average actual circulation measures the loss to the banks, from the withdrawal of the privilege which it is proposed partly to meet by giving them cash balances without interest.

“(7.) With these modifications, the Governor General in Council requests that the Government of Bombay will take the earliest opportunity to negotiate with the Bank of Bombay, in order that terms of agreement, similar to those approved by the Bank of Bengal, may be obtained from the Bank of Bombay, the necessary alterations in its present charter being at the same time submitted for the sanction of this Government.”

14. In reply to the communication from this Government, mentioned in paragraph 8 of this summary, the Government of India referred to the instructions contained in the foregoing letter, in accordance with which they desired that negotiations might proceed with the Bank of Bombay. *Letter from the Government of India, No. 4815, dated 29 April 1861.*

15. The directors of the Bank of Bombay, in a letter to this Government, No. 2294, dated 14th May 1861, expressed their “concurrence generally with the memorandum of the terms of agreement connected with the transfer to the Bank of Bengal of the management of the Government balances and paper currency, dated 19th March 1861, as subsequently modified by Mr. Lushington’s letter of 1st April.”

16. With reference, however, to the amount proposed as the maximum and minimum cash balances to be held by the bank, of 30½ and 21½ lakhs respectively, the directors stated that they considered them inadequate. The 3rd, 4th, and 5th paragraphs of their letter ran as follows:—

“(3.) While the Bank of Bengal has been in existence since 1823, and its circulation may be supposed to have approached its maximum, the Bank of Bombay dates only from 1840, and its circulation within the last few years has rapidly increased, the average for the three years 1858, 1859, and 1860, being 81 lakhs.

“(4.) The directors, therefore, cannot admit the justice of fixing an arbitrary rate for all banks, but submit that the maximum and minimum rates for the Bank of Bombay should be regulated with reference to its rapidly progressing circulation, and to the greatly increasing trade of the port, already on a par with that of Calcutta.

“(5.) Taking into consideration all the circumstances of the case, the directors think that the maximum and minimum balances should not be less than 60 and 40 lakhs respectively.”

17. In regard to the allowance proposed to be granted for the management of the Government receipts and disbursements, the directors stated that, although they considered it rather inadequate, they were unwilling to raise objections on such a minor point.

18. With reference to the establishment of branch banks, the directors stated that they much regretted that Government had not seen fit to acquiesce in the views of the directors of the Bank of Bengal, as set forth in the fourth paragraph of their secretary’s letter of the 21st March, in which they (the directors of the Bombay Bank) stated they cordially concurred.

19. The deputy auditor and accountant general stated that he quite concurred in the remarks contained in paragraphs 3 to 5 of the directors’ letter, but suggested that the maximum and minimum balances should be fixed at 50 and 30 lakhs respectively, instead of 60 and 40, as proposed by them. *Letter from the Deputy Auditor and Accountant General, No. 221, dated 30 May 1861.*

20. Mr. Birch also suggested that it might save time were the bank required to submit to Government copy of its present charter modified in reference to the proposed alteration in the constitution of the bank, that the opinion of the law officers of Government might be taken.

21. Copies of the letters from the directors of the Bank of Bombay and of the deputy auditor and accountant general were forwarded to the Government of India with the expression of the views of this Government, and the directors were written to as suggested by Mr. Birch. *Letter to the Government of India, No. 479, dated 11 June 1861. Letter to the directors of the Bank of Bombay, No. 480, dated 11 June 1861.*

22. The Government of India in their reply, No. 8214, dated 3rd July 1861, stated—

“The Governor General in Council observes that the directors of the bank concur generally in the terms of agreement accepted by the Bank of Bengal. They object, however, to the principle on which the proposed maximum and minimum balances for the bank of Bombay have been ascertained, and propose 60 and 40 lakhs, which the deputy auditor and accountant general would reduce to 50 and 30 lakhs. In this the Government of Bombay concur. The Governor General in Council has no objection to the minimum balance

balance being fixed at 30 lakhs; but he thinks a maximum balance of 50 lakhs too high, and accordingly desires that it be reduced to 40 lakhs."

23. In a minute, dated 14th July 1861, his Excellency the Governor, Sir George Clerk, proposed, with reference to the reduction in the maximum balance which the Government of India had directed, that they should be informed that this Government regretted to find that, after having been authorised to negotiate the terms of agreement with the Bank of Bombay, their recommendations had not been approved of, and that this Government, after mature consideration of all the circumstances of the case, were of opinion that the maximum which should be fixed was that recommended by them.

24. But, at the suggestion of the Honourable Mr. W. E. Frere, the question of maximum and minimum was referred, in the first instance, to the deputy auditor and accountant general for opinion. Mr. Birch stated that, as the Government of India had been pleased to revise so much of their first decision as affected the minimum balance, and permitted its extension to the amount suggested by this Government, viz., 30 lakhs, he considered it would be expedient to adopt their views with respect to the maximum balance, the maximum fixed by the Supreme Government was accordingly adopted, and the Government of India were informed that this Government would not urge any further objections to the adoption of the sum fixed by them, viz., 40 rupees lakhs, as the maximum balance to be left in the bank.

25. On the 25th July 1861 (No. 3444) the secretary and treasurer, Bank of Bombay, forwarded to Government a copy of the bank's charter modified in reference to the proposed alteration in its constitution, and observed—

"With reference to Section V. of the Bank of Bengal, and the proposed alteration, therein providing that the existing capital of the bank, together with the amount to be hereafter subscribed and paid up, shall, at the option of the holder, be divided into shares of 1,000 rupees each, or converted or consolidated into stock, which may be bought, sold, transferred, divided, or held, to any amount from 250 rupees and upwards, I am to intimate my director's desire that the present charter of the Bank of Bombay may not undergo any alteration with respect to this proviso."

26. The above letter, with its accompaniment, together with the previous correspondence relative to the transfer of the business of the general treasury and general pay office to the Bank of Bombay, was forwarded to the solicitor to Government, who was requested to obtain and favour Government with the opinion of the Advocate General on the bank's modified charter.

27. With reference to a telegram sent to Bengal, intimating that the modified Bombay Bank Charter had been sent to the Government law officer, the Government of India,

with a letter, No. 10,362, dated 23rd August 1861, forwarded to this Government a printed copy of the Memorandum of Agreement as settled by the Bank of Bengal, with a view to a timely settlement of similar terms with the Bank of Bombay, and requested that this Government would cause the Charter Act which should contain authority

of the nature described in the opinion, quoted in the margin, of the standing counsel of the Government of India, to be considered by the law officers of the Government of Bombay with reference to the Paper Currency Act and the agreement to be concluded with the Bank.

28. A copy of this Memorandum of Agreement* is appended to this summary. Such of the clauses thereof as have appeared to be essential for the purpose of this summary are given below:

"4th.—That so long as the average cash balance for any month in the hands of the said bank on the said Government banking account shall not exceed 70 lakhs of rupees, the said bank shall be at liberty to use and employ such balance, subject to the provisions of their present Charter Act, or any future Act relating to the said Bank, and to appropriate the profits arising from such employment, without being charged with any interest in account; and that when and so often as the monthly average of such cash balance shall exceed 70 lakhs of rupees, the directors of the said bank, for the time being, shall forthwith either set aside such excess or surplus in cash, to be kept in reserve in a separate cash room or place of deposit on account of the said Government of India, or shall, at the option of the directors of the bank, invest such excess or surplus on account of the Government of India, either in the purchase of Government securities or railway debentures guaranteed by Government, in the name of the Accountant General, or of such other officers as the Government of India shall, from time to time direct, or in the discount of Government acceptances or other claims against the Government, and so that such surplus shall be withdrawn from employment as part of the general funds of the bank, and so on from time to time, as often as an uninvested surplus cash balance above rupees 70 lakhs shall, on the taking of the monthly average, appear to be in the hands of the

* Subsequently published in the Notification of the Government of India, No. 1, dated 3 January 1862 (Calcutta Gazette for 1862, page 46).

Mr. Birch's letter,
No. 754, dated
2 August 1861.

Letter to Govern-
ment of India,
No. 666, dated
9 August 1861.

Letter to Mr.
Bickersteth, No.
667, dated 9 August
1861.

the bank. And the said bank shall at all times be answerable and accountable to the Government of India for the surplus cash balance for the time being so set apart or invested, but shall be entitled to draw and apply the interest or dividends arising from such investment from time to time to their own use. But when and so often as the cash balance in the hands of the said bank shall, on the taking of the monthly average, appear to have been less than rupees 50 lakhs, then, in addition to the profit which the said bank may acquire by the employment of such balance, free from interest as aforesaid, an additional allowance or remuneration by way of compensation shall be made to the bank by the payment by Government of interest on the difference between the amount of the actual balance of Government and the sum of 50 laks, the interest being calculated at the average rate of interest paid by the public on fixed loans during the month.

"5th.—That the books of account and minutes of proceedings of the bank relating as well to the said Government banking account and business as to the general accounts and business of the bank shall, from time to time, and not less than once, and not exceeding four times, in any one year, be submitted to the examination and audit of an officer or officers to be, from time to time, appointed or authorised by the Governor General in Council for that purpose, and the report of such officer or officers as to the state of the banking account between the Government of India and the bank, or as to the cash balances invested or uninvested for the time being in the hands of the bank, or as to any proceeding relating to the said banking account or business, shall first be laid before the directors of the bank, to enable them to furnish any explanation or further information touching any of the matters referred to in the report, and such report, together with the explanation, shall then be submitted to the Governor General in Council, whose order, decision, or finding, on such report shall be binding and conclusive on the bank.

"17th.—That as and by way of remuneration to the bank for their conducting as aforesaid the said agency for the issue of the Government paper currency, and for cashing and converting such notes after issue, the bank shall be entitled to charge the said Secretary of State in Council with a commission, calculated at the rate of three-fourths per cent. per annum, on the daily average amount of Government currency notes outstanding and in circulation through the said agency of the bank at Calcutta, and which commission may be debited to the said Secretary of State in Council in the said banking account between the Government of India and the bank, the amount of such cost to be established (if required) to the satisfaction of the officer for the time being in charge of the said Issue Department.

"19th.—That if at any time during the continuance of this agreement the said bank shall establish a branch office at any town or place other than Calcutta, and the Governor General of India in Council shall offer to the directors of the said bank for the time being, and the said directors shall, on behalf of the bank, accept the business of bankers to the Government of India for the district or locality within which such branch shall be established, or the business of issuing and circulating the Government paper currency within such district or locality, then and in every such case the business so arranged to be taken up and performed by the said bank shall be carried on under and subject to the provisions of this agreement, and on the basis of the clauses cited in the margin, being the 3rd and 5th paragraphs of the Government memorandum of the 20th of March 1861, relating to the establishment of such branch bank, except in so far as the provision of this agreement, or of the said clauses, may be modified or altered by any special agreement which the said Secretary of State in Council, through the Governor General of India in Council, may from time to time enter into with the said bank in reference to the business so to be carried on at the particular branch bank."

29. The Memorandum of Agreement was forwarded to the solicitor to Government, with a request that the terms of agreement with the Bombay Bank might be settled in a similar manner. Letter to Mr. Bickersteth, No. 745, dated 7 September 1861.

30. A copy of the opinion of the standing counsel was also sent to Mr. Bickersteth, to be considered by the Advocate General, with reference to the Paper Currency Act and the agreement to be concluded with the Bank of Bombay.

31. With his letter, No. 514, dated 12th September 1861, Mr. Bickersteth submitted the opinion* of Mr. Westropp, Acting Advocate General, which is transcribed below:—
"All of the documents referred to in the list dated 9th August 1861, annexed to Mr. Shaw Stewart's letter, No. 667 of 1861, dated 9th August, and printed copies of Act VI. of 1839, relating to the Bank of Bengal, and Act III. of 1840, relating to the Bank of Bombay, with some of the proposed alterations in manuscript of those Acts, have been read by me. * No. 43, dated 11 September 1861. Vide paragraph 26 of Summary.

"(2.) The directors of the Bank of Bombay, in suggesting alterations of Act III. of 1840, seem to have followed, in almost every respect, the suggestions of the directors of the Bank of Bengal with respect to Act VI. of 1839, except as to the proviso proposed by

by the latter in modification of Section V. of Act VI. of 1839, "that the existing capital of the bank, together with the amount to be subscribed and paid up, shall at the option of the holder, be divided into shares of 1,000 rupees each, or converted and consolidated into stock which may be bought, sold, transferred, divided, or held to any amount from 250 rupees and upwards." One of the officers of the Bank of Bombay has informed me that the directors of that bank were of opinion that such a proviso would be productive of considerable inconvenience, and declined to adopt it. This is a matter which may, I think, fairly be left by Government to the discretion of the directors.

"(3.) So far as I can form an opinion from the suggestions in manuscript contained in the printed copy of Act III. of 1840, as to the proposed alterations in that Act, those alterations do not seem open to any substantial objection; but I think that the Government of Bombay ought to require the directors to cause their solicitor to prepare a complete draft of the intended Act. The alterations are still in too crude a form to warrant the Government law officers in recommending the printed copy of Act III. of 1840, with its MS. additions, being sent in its present state to the Government of India. The proper and regular course in such cases is that the bank should cause its solicitor (who, if necessary, can consult counsel) to prepare a complete draft of the proposed enactment.

"(4.) There is no preamble as yet drafted for the proposed Act, nor any clause repealing Act III. of 1840, nor are there any sections incorporating the provisions of Acts XXI. of 1854 and XXVII. of 1855 into the proposed Act. In other respects there are merely suggestions as to, but not drafts of, the intended alterations. Unquestionably the duty and responsibility of preparing a draft, complete both as to preamble and in all other respects, devolve on the bank and not upon Government; and I do not think Government ought to accept any transfer of that responsibility. The draft, when prepared, should be submitted to the law officers of Government for revision.

"(5.) I observe that the directors propose to omit several provisoes which are to be found in Act III. of 1840, and to deal with the matters to which those provisoes relate by bye-laws. I do not know how far this proposition meets the approbation of Government.

"(6.) Nor am I aware whether Government has acceded to the proposal of the directors as to the amount of the maximum and minimum cash balances to be held by the bank, and stated in Mr. Blair's letter of the 14th May 1861.

"(7.) The opinion of the standing counsel of the Government of India referred to by Mr. Shaw Stewart in his letter, No. 745, of 1861, dated 7th September, addressed to the Government solicitor, was, I presume, taken since the passing of Act XIX. of 1861, the fourth section of which empowers Government to make arrangements with the Banks of Bengal, Madras, and Bombay as to the issue and payment of the new paper currency. I infer, therefore, that in the opinion of the standing counsel to Government a similar power ought to be conferred by the Legislature on the three banks just mentioned. In such case the new draft ought to contain an enactment to that effect, so far as regards the Bank of Bombay."

Letter, No. 794,
dated 25 September
1861.

32. A copy of the above opinion was communicated to the directors of the Bank of Bombay, with a request that they would cause their solicitor to prepare a complete draft Act.

Vide paragraph 3 of
Summary.

33. The directors' attention was called to clause 4, paragraph 2, of the memorandum by the directors of the Bengal Bank, dated 29th December 1860, and they were informed that in the modified charter of the Bank of Bombay the directors had not provided for the additional number of Government directors which the Government of India had proposed to appoint.

34. In reply to the above, the directors forwarded, with a letter (No. 4878), dated 8th November 1861, "the draft of the proposed new charter with bye-laws, as prepared by the bank's solicitors, and approved by the directors," and stated that the draft of the proposed Act would be prepared and submitted as soon as possible after the directors had been furnished by Government with a memorandum of the proposed terms of the agreement.

35. In circulating the above letter to the Honourable Board, the Acting Chief Secretary, Mr. A. D. Robertson, in a memorandum, dated 16th November 1861, wrote as follows:—

"Copy of the agreement entered into with the Bank of Bengal, altered so as to meet the terms to be entered into with the Bombay Bank, is put up. It is proposed to send this to the Bank in reply to the present letter, and to request them to draw up a draft of the Act for submission to the Government law officers.

"(2.) In the draft of the charter now submitted, the bank have, in December 1845, provided for the directors being authorised to draw up bye-laws. This proviso was not entered in the old charter. The bye-laws which the directors now submit for approval will be found in Schedule B. Such of them as were included in the old charter have been noted, and those which were not included in it are also noted. They seem all unobjectionable, and might be approved of by Government."

36. The directors were furnished, under date the 25th November 1861 (No. 1023) with a copy of the agreement entered into with the Bengal Bank, altered so as to meet the terms

terms to be entered into with the Bombay Bank, and requested to draw up a Draft Act, and forward it to Government for submission to their law officers.

37. The drafts of the agreement and of the Act were in course of time received from the directors of the Bombay Bank, and, after the necessary reference to the Government law officers, the agreement was executed and published in a notification from this Government dated 28th February 1862, printed in the "Bombay Government Gazette Extraordinary," of the same date.

38. This notification was re-published in the "Calcutta Gazette" of the 15th March 1862, together with a resolution by the Government of India, approving of and confirming all the provisions thereof. Calcutta Gazette for 1862, pages 1021 to 1025.

39. The Draft Act differed from Act III. of 1840 in the following particulars:—

(1.) It suggested embodiment of the provisions of Acts XXI. of 1854 * and XXVII. of 1855.†

(2.) A preamble cancelling former Acts similar to that of the new Bengal Act, was proposed.

(3.) Recognition of the limited liability of the bank, should counsel entertain doubts as to such being its status, was urged.

(4.) Section 1 of Act III. of 1840, as to original incorporation, expunged.

(5.) Section 2 of Act III. of 1840, it was suggested, should be superseded by section 5 of the Bengal Act, framed so as to give full power to the directors to increase the capital to 2,10,00,000 rupees.

(6.) Part of section 5, prescribing notification of the amount of capital paid up, and the date from which the bank was to commence business originally, was struck out.

(7.) Section 6, regarding payment of subscriptions to the sub-treasurer, who was to grant receipts and pay the amount to the directors, was expunged.

(8.) Section 7 was modified, to the extent that demand should precede delivery of share certificates.

(9.) Section 8 limiting, except on occasion of increase of capital, or in the event of succession, bequest, or marriage, the share of any proprietor in the capital to 1,60,000 rupees, was struck out.

(10.) Alteration of section 9, to the slight extent that registration of transfers by endorsement on certificates may in this case, as also in the case of deeds of transfer, instead of being merely noted on the endorsement, be certified by writing or certificate.

(11.) Section 12, as to who were to be the first directors, was struck out, and a section substituted continuing in office the former directors.

(12.) To section 13 was added provision that the rotation of servitude of directors should continue as previously.

(13.) Section 14, as to the mode of filling up vacancies in the direction, was modified in regard to directors disqualified under *section 15 only*.

(14.) Section 15, as to the qualification for a director, was altered to the extent that being a director of any other bank in Bombay, instead of, as heretofore, being a director of any other bank in Bombay issuing notes payable on demand, disqualifies.

(15.) Section 16, as to voting at general meetings of proprietors, was altered to the extent that transfers should not only have been completed, but also registered six months before the time of tendering votes.

(16.) Section 21, as to number of directors requisite to form a board, and as to weekly rotation, struck out, and provided for in bye-laws. (Rule 1, Schedule B.)

(17.) Section 23, as to signature by three directors of all accounts, deeds, &c., omitted with reference to Act XXI. of 1854.

(18.) In section 23, providing for the appointment and removal of "officers," the words "clerks or servants" were substituted, and the restriction in such section to an annual expense by the directors not exceeding 60,000 per annum for establishments without authority of the proprietors, was removed.

(19.) Section 24, fixing the amount of security of secretary, treasurer, head accountant, or head shroff, at 50,000 rupees each, was modified in respect to the two last officials, the amount of whose security became determinable by the directors.

(20.) Section

* Empowering the secretary, &c. to draw and endorse bills, &c., and to sign documents for the bank; and authorising the lending of money on shares of guaranteed railway companies.

† Empowering the banks to transact certain business in respect of Government securities and shares in the said banks.

(20.) Section 25 of the old Act, and the corresponding sections in the two amended drafts are placed in juxtaposition. There is nothing on record to show that Government were aware of the last amendment, which was a radical change in the business programme of the bank. The directors appear to have submitted the alteration in the draft which accompanied their letter of 6th March 1862, which, after reference to the Advocate General, who did not remark on the section, was transmitted to the Government of India on the 19th idem.

And it is hereby enacted, that the said Bank of Bombay shall not be engaged in any kind of business, except the kinds of business hereafter specified, that is to say:—

1st. The discounting of negotiable securities.

2nd. The keeping of cash accounts, including the realisation of dividends and interest on Government securities to the credit of constituents of the Bank.

3rd. Buying and selling of bills of exchange payable in India.

4th. The lending of money on short loans.

5th. The buying and selling of bullion.

6th. The receiving of deposits.

7th. The issuing and circulating of cash notes and bank post bills.

8th. The selling of property or securities deposited in the bank as security for loans and not redeemed, or of property or securities recovered by the bank in satisfaction of debts and claims.

And it is hereby enacted, that the business of the Bank of Bombay shall consist of banking in all its branches, particularly in advancing or lending money on Government securities, in discounting, buying, and selling bills of exchange and other negotiable instruments payable in India, the United Kingdom of Great Britain and Ireland, or elsewhere; making investments in Government security; granting bank post bills and letters of credit drawn payable to order or otherwise than to bearer on demand; buying and selling bullion, gold or silver; receiving of deposits; granting cash accounts or credits; making advances on and selling any goods, wares, merchandise, or other property and securities deposited, assigned, recovered, or held by the bank as security for loans or other advances, debts, and claims; to act as agents in the transaction of business for commission or profit, but for and in no other adventure, trade, or calling than in that of banking in all its branches.

The said Bank of Bombay, as re-incorporated and re-constituted under this Act, may and is hereby authorised and empowered to carry on and transact the business of banking in all or any of its branches, save so far as herein otherwise provided, and in particular the kinds of business hereinafter specified, but shall not engage to carry on or transact any adventure, trade, or business other than that of banking in all or some of its branches; and the particular kinds of business which the said bank is, as aforesaid, hereby expressly authorised and empowered to carry on and transact shall be as follows:—

1st. The advancing and lending money on Government securities, or the security of shares in any of the incorporated Indian Railway or other public Companies in India.

2nd. The discounting, buying, and selling of bills of exchange, and other negotiable securities payable in India, and also for and on account of constituents, only those payable in Great Britain or Ireland.

3rd. The making of investments of the moneys of the said bank in Government securities, and from time to time altering, converting, and transposing such investments for others of a like nature.

4th. The making, issuing, and circulating of bank post bills and letters of credit made payable to order or otherwise than to the bearer on demand.

5th. The buying and selling of gold or silver bullion.

6th. The receiving of deposits, keeping cash accounts, and granting cash credits.

7th. The granting loans and making advances upon any goods, wares, merchandise, or other property or securities of the description above mentioned which, or the documents of title to which, shall be deposited with or assigned in the said bank as security for such loans and advances, and the selling and realisation of the proceeds of sale of any such goods, wares, merchandise, or other property or securities which, or the documents of title to which, have been so deposited or assigned, or which shall be held by the said bank, and over which the said bank shall be entitled to any lien or charge in respect of any such loan or advance, or any debt or claim of the said bank, and which said goods, wares, merchandises, property, security, or documents of title so as aforesaid deposited with, assigned to, or held by the said bank, shall not in due time, and in accordance with the terms and conditions (if any) of such deposit or assignment, have been redeemed.

8th. The acting as agents either for commission or profit, or not in the transaction of business on account of others, such business being of a nature usually transacted by banks, and particularly in the transaction of the following kinds of business:—The taking charge of any Government or other securities or shares in any railway, bank, or joint-stock company; the receiving of the interest or dividends on any such securities or shares; the investment of any money deposited in the said Bank of Bombay in any of the said securities or shares; to sell or transfer any such securities or shares deposited with the said bank, or to receive any principal money that may be payable thereon; to invest the principal and interest and dividends so received, or the proceeds of such sale as last aforesaid in any such securities or shares, or, according to the instruction of their constituents, to hold or pay such principal, interest, dividends, or proceeds, or, at the risk of such constituents, remit the same by public or private bills, either payable in India or in Great Britain or Ireland, and to do all acts necessary or proper for the purpose of effecting such remittances.

(21.) Section 26, which provided that no moneys should be advanced unless the cash balance equalled a fourth of the liabilities payable on demand, was omitted.

(22.) Omission of the prohibition in section 27 against lending money either by loan or discount for longer than three months; extension of the prohibition regarding advances on any bank shares to advances on any shares; and omission of the prohibition against advancing on any negotiable security without two names unconnected in business to any one person or firm more than three lakhs of rupees, except upon the security of Company's paper or unperishable goods.

(23.) Section 28, regarding endorsement in favour of bank of public securities lodged for loans and deposit of goods to exceed amount of loan by one-fourth estimated value, was omitted as to be dealt with in bye-laws.

(24.) So also the provisions of section 29, by which the bank was not to lend to Government more than 7½ lakhs, unless upon available securities.

(25.) So also those of section 30, by which deposit accounts were not to be overdrawn.

(26.) Section 31, allowing the bank to issue promissory notes on demand, or at a date not exceeding 30 days after sight, the amount in circulation being limited to two crore's worth, and 10 rupees being the minimum value of notes, was omitted.

(27.) Section 32, that the bank might not negotiate any document payable elsewhere than within the limits of India, was struck out.

(28.) So

(28.) So also section 33, that the bank might receive in deposit unperishable goods.

(29.) Section 34 was modified so as to permit the directors from time to time to alter the period for balancing the books.

(30.) Similar alteration in section 35 as to periods for taking an account of the profits, and cancelment of that portion providing for defraying preliminary expenses out of future profits, and extending the directors' power to set aside so much of the profits as they might consider expedient as a reserve fund, instead of, as previously, limiting such reserve to five per cent. on the capital stock of the bank.

(31.) Leaving directors to fix the dates on which they shall submit to proprietors a statement of the bank's affairs, instead of 30th June, as fixed in section 36.

(32.) Alteration of the term "general meeting," in section 37, to "special general meeting."

(33.) Section 38, as to power of establishing branches, extended to forming business relations, and the regulation of the business management, and delegation of power to agents vested in directors, instead of, as formerly, in the proprietors.

(34.) Section 40, as to period of constitution, notice requisite to dissolve or modify the constitution of the bank, and forfeiture of charter in the event of the suspension of cash payments, struck out, and a clause inserted enacting that the charter may be altered at any special general meeting or general meeting of the proprietors duly convened, and that any such bye-laws, regulations, or directions, when approved by the Governor in Council, shall bind both directors and proprietors until duly rescinded, but reciting the right of directors to frame regulations or instructions not inconsistent with this charter.

40. The Advocate General remarked—

(1.) That the power to increase the capital given to the directors in section 6 of the new draft, instead of being vested, as formerly, in the Governor in Council, should be modified so as to allow the shareholders a voice in the matter, that the mode in which the increase was to be made should be specified, and that if it were by the creation of new shares, the old shareholders should have a preferential right.

(2.) That the declaration in the latter part of section 10, as to the bank only being bound to recognise the estate or interest in the shares of the first of several persons in whose names the shares might be registered was objectionable in principle; and further, that as the clause stood, it might be a question whether on the death of the first-named person his interest in the shares would survive to the remaining persons named in the register.

(3.) In section 11, it being doubtful whether transfers could be made by endorsement, without deed, the Advocate General altered the wording, so as to make it clear that transfers could be effected either by deed or endorsement, or both.

(4.) Modification of the latter part of section 19, which, as drafted, would enable the bank to nullify the proviso in the preceding section against the re-election of retiring directors, suggested.

(5.) Section 35, temporary.

(6.) The 43rd section ought to form part of, or follow 33rd section, prescribing the business of the bank.

(7.) Section 44, contemplating the winding-up of the bank, is new and inauspicious.

(8.) The effect of section 45 is to give the bank the power of repealing the Act section by section, subject to the veto of the Governor in Council.

(9.) In the 5th section of the Act there is an express declaration of limited liability, but there is nothing to show whether it was intended to exempt the bank from compliance with the provisions of Acts XIX. of 1857 and VII. of 1860.

41. Subsequently, Government addressed the directors to instruct their solicitors, in conjunction with the Government law officers, to prepare a clause for insertion in the draft investing the secretary or treasurer of the bank with the power vested in the sub-treasurer by sections 26 and 27 of the Income Tax Act.

42. On the 10th March 1862, the Advocate General returned the draft Bill submitted by the directors on 6th idem, observing that most, but not all, of his previous suggestions had been adopted by the directors. He therefore recapitulated those not adopted:—

(1.) The section in the original draft numbered 44, and in this draft 43, as to winding-up of bank, still retained. Considers this to be unusual in regard to a bank connected with Government.

(2.) Observes that section 45 in original, and 44 in amended draft, empowers the bank to repeal the Act section by section, subject to a veto by the Governor and his Executive Council only.

(3.) Again adverts to the fact that section 5 contains an express declaration of limited liability, but the Act contains no stipulation as to compliance with the provisions of Acts VII. of 1860, and XIX. of 1857, observing that it was probably intended to exempt the Banks of Madras, Bombay, and Bengal from that obligation.

43. The bank suggested that the power of assessing income tax be vested in the agents of the various branches of the bank, as well as in the secretary and deputy secretary.

44. The draft Act was eventually forwarded to the Government of India, with following letter from Mr. Acting Chief Secretary A. D. Robertson, No. 416, dated 19th March 1862:—

“ With reference to your letter, No. 14,183, of the 11th December 1861, I now have the honour to forward, as therein requested, a printed copy of the Charter Act of the Bank of Bombay, with such modifications introduced into it as seemed necessary in consequence of the transfer of the treasury business to the bank, and the introduction of a Government paper currency. It is understood by this Government that the amended Act is not intended to be passed by the local legislative council.

“(2.) In section 6 of the Draft Act, I am desired to observe that it has been thought advisable to vest the power of increasing the capital of the bank in the proprietors, instead of the directors.

“(3.) I am directed to call your attention to section 5 of the Act, containing a declaration of limited liability, which may seem to call for consideration, as no similar section has been incorporated in the new charter of the Bank of Bengal, and as the present draft does not contain a stipulation as to compliance with the provisions of Act VII. of 1860, and Act XIX. of 1857.

“(4.) It may be observed that by section 44 of the Draft Act, the Governor in Council is authorised to confer on the treasurer and secretary, or deputy secretary and local agents of the bank, the powers of *ex-officio* assessor of income tax, formerly vested in the sub-treasurer and officers in charge of public treasuries. It was proposed to insert a similar section in the Bengal Bank charter; but no such section appears in that Act as finally passed and published in the *Calcutta Government Gazette*.”

45. The Government of India, in their reply, No. 2525, dated 5th April 1862, after premising that it was intended that the Act should be passed by the Bombay council after approval of the draft by the Government of India, communicated that approval, subject to the following observations:—

“(2.) There appears to be no objection to the provision made in section 6 to vest the power of increasing the capital in the *proprietors* instead of in the *directors*.

“(3.) The declaration contained in section 5 of limited liability does not appear to be necessary. This point was duly considered in preparing the Draft Act for the Bank of Bengal, and no such limitation was then thought necessary.

“(4.) Section 44 of the Draft Act may be omitted, as its objects have already been specially provided for in Act IX. of 1862.

“(5.) His Excellency in Council observes that no provision has been made for electing auditors, as was done in section 34 of the Act for regulating the Bank of Bengal.

“(6.) Your attention is also requested to section 37 of the Act for the Bank of Bengal, empowering it to take over the capital and business of any other bank; but I am to mention at the same time that it is entirely for the Bombay Government to judge whether it would be convenient to adopt that section.”

46. A copy of the proposed Charter Act of the Bank of Bombay, and of the above letter from the Government of India, was forwarded to Her Majesty's principal Secretary of State for India, with the letter from this Government, No. 6, dated 12th May 1862, in which it was stated—

“ With reference to the instructions of the Government of India, we intend, at the next sessions of our Legislative Council on the 15th July, to proceed to legislate on the subject. We have, therefore, the honour to request that, in case you desire any modification in any of the provisions of the Draft Act beyond those indicated in the letter from the Government of India, you will be so good as to communicate to us your views at an early date.”

47. On the 6th August 1862, No. 33g, the Government of India forwarded to this Government copy of a Despatch from Sir C. Wood, No. 55, dated 8th April preceding, on the subject of the agreement entered into by that Government with the Bank of Bengal.

48. The disposal of this communication was deferred pending the receipt of a reply from Sir C. Wood to the Despatch from this Government, dated 12th May 1862, No. 6.

49. This letter was replied to in Sir Charles Wood's Despatch to this Government, No. 64, dated 16th September 1862, giving cover to a Despatch addressed by him on the same date, No. 158, to the Government of India, “relative to the establishment of a Government paper currency for India, and to the agreements with the Banks of Bengal, Madras, and Bombay, in reference thereto, and to the management of the Government Treasury business.”

50. As this latter Despatch sets forth in detail the views and instructions of the Secretary of State as applicable to all the three Presidencies of Bengal, Madras, and Bombay, a copy of it has been appended to this summary.

51. The

51. The solicitor to Government (to whom a copy of this Despatch was sent, with a request that he would revise the Draft Act in accordance with the instructions of Sir C. Wood), in a letter, No. 603, dated 7th November 1862, after premising that he had perused and considered that Despatch in connection with the printed Draft Act, wrote as follows:—

“(3.) If I understand the Despatch correctly, the only point on which the Secretary of State insists on a modification of the proposed concession to the bank, is with regard to the limited authority intended to be conferred in certain cases of drawing and buying, or discounting bills payable in the United Kingdom, which I presume to be what is referred to, and deprecated in the Despatch as ‘dealing in foreign exchanges.’

“(4.) This power was conferred by the 32nd section of the Bill, and I have therefore introduced the necessary restriction in that section.

“(5.) And as it seemed likely that there might be considerable conflict of opinion between the Secretary of State and the directors of the bank as to what were legitimate banking operations ‘to which the business of the bank is to be confined, and that which is not banking, but speculative commercial business,’ I have thought it necessary further to modify the 32nd section by withdrawing the general power to transact any banking business, and to limit it to the transaction of the particular kinds of business specified in the section.

“(6.) In other respects I have not altered the provisions of the Bill, and do not express any opinion as to its propriety or otherwise.

“(7.) The enclosure marked (A.) shows in red ink the amendments which I think should be made in the 32nd section of the Bill, and if they are approved I will submit them to the solicitors of the Bank of Bombay.

“(8.) Upon a comparison of the powers intended to be conferred upon the bank with its existing powers and those of the Bank of Bengal as heretofore constituted, it will be observed that they are considerably extended, and in some respect exceeds those now conferred upon the Bank of Bengal by Act IV. of 1862.

“(9.) The Secretary of State in the 53rd paragraph of the despatch desires that the business of the bank ‘be restricted to legitimate banking operations, such as those transacted by the Bank of England, or by the Bank of Bengal as heretofore constituted.’

“(10.) So far as I am aware, the powers intended to be conferred by the Bill, though more extended in some respects than those of the Bank of Bengal as heretofore, or at present constituted, do not exceed those of the Bank of England; but my knowledge on this subject is very limited.

“(11.) It is, perhaps, a question for the consideration of Government whether, having regard to the difference of opinion which apparently exists between the Secretary of State and the Government of India on the subject, it might not be well to obtain the sanction of the Secretary of State to the Draft Bill before submitting it to the Legislative Council for enactment.

52. The following letter was addressed by Mr. Acting Chief Secretary Robertson to the Secretary and Treasurer, Bank of Bombay, on the 21st November 1862 (No. 1520):—

“In forwarding extract paragraphs 49 to 55 of a Despatch from the Secretary of State to the address of the Government of India, No. 158, dated 16th September 1862, on the subject of the transfer to banks of the business hitherto transacted at the Government Treasuries, and the introduction of the Government paper currency in India, I am directed to transmit copy of the Draft Bill for the re-incorporation and re-constitution of the Bank of Bombay, as prepared by the bank’s solicitor and revised by the Government law officers, on the margin of which I have caused to be shown the corresponding sections of Act IV. of 1862, for the re-constitution of the Bank of Bengal; and in drawing the attention of your directors to the verbosity of the Bombay Bill as compared with the Bengal Act, I am instructed to suggest that, for many reasons, the wording as well as the order of the provisions of the latter should be adhered to as far possible.

“(2.) In their letter, No. 2525, dated 5th April 1862, copy of which accompanied my letter, No. 767, dated 5th June following, the Government of India suggested alterations in the Draft Bill which had been forwarded to them for approval. These alterations are noted on the copy of the Bill now forwarded in blue ink; whilst those which have been proposed by the Government law officers to give effect to the views expressed in the annexed extract from the Secretary of State’s Despatch are shown in red ink.” *Vide paragraph 40 of Summary.*

53. To the above the secretary and treasurer, Bank of Bombay, in a letter, No. 7384, dated 10th December 1862, replied in the following terms:—

“(2.) With reference to the first paragraph thereof, regarding the form of the draft of the new Act for the bank, I am instructed to say that the directors submitted your letter to their solicitors, and to send you the following extract from the letter which they received in reply.

“(3.) ‘As instructions to counsel to prepare a new Act, we laid before him a copy of the existing charter. On examining this with care it was seen that it was drawn in a somewhat loose manner, and certainly was not in accordance with the phraseology of the present days. The advantage of following the existing forms is that if any question should hereafter arise upon the construction of any clause of the charter, you would possibly have

the advantage of some decision in the English courts. We, therefore, determined that the draft should follow to a great extent the phraseology of the English Joint Stock Companies Act, but the order of the clauses is almost the same as in the existing charter.'

"(4.) For the above and other reasons the directors consider that it would not be desirable now to remodel the draft of the Act; but if there are any points in the draft on which you think that an alteration is material, the directors will be happy to consider them.

"(5.) With regard to the alterations which were suggested by the Government of India, I am instructed to say that the directors will frame a clause for the appointment of auditors, and send it for your approval. The clause declaring that the bank was reconstituted with limited liability was inserted as a matter of precaution, and the retention of it the directors hope will be allowed.

"(6.) With regard to the second paragraph in your letter, and the observations of the Secretary of State for India regarding foreign exchanges, the directors beg that it may be understood that they never wished or asked for power to deal in foreign exchanges; and on this point the directors would draw your attention to the letter of J. A. Baumbach, Esq., the chairman of the non-official directors, dated so far back as the 12th of October 1860, in which he says, 'With regard to one concession, which is supposed by some to have been referred to by the late Mr. Wilson, the permitting the bank to deal in foreign exchanges, we are fully convinced that the entering into transactions of this kind, so alien to the business hitherto carried on by the bank, would be very repugnant to the feelings of the great body of the shareholders; while from the number of banks already established for exchange purposes, it is doubtful if either the bank or the public would derive advantage from such a measure.'

"(7.) The power which the directors ask for is simply a power to enable the bank to remit, for the convenience of its constituents in the agency department, sums of money to London by its own bills, and that the bank should be allowed to provide funds in London by purchasing here, and forwarding to its agents in London, bankers' drafts only. It is this power which the directors considered was referred to in the first paragraph of the Government Memorandum of the 19th of March 1861, and which they thought was thereby conceded to them.

Vide paragraph 10 of Summary.

"(8.) Transactions under such a power cannot be said to be dealing in foreign exchanges, and the directors consider that they do not come within the scope of the observations made by Sir Charles Wood in the Despatch of the 16th September last. Such transactions would not be speculative, for they would not be attended by the slightest risk.

"(9.) The constituents of the agency department in the bank are chiefly private persons, not merchants, who from time to time remit money to England for the use of their families, or who on leaving India wish to take with them their capital. The directors now simply ask for power to accommodate these constituents. The withholding of this power would inconvenience the bank in dealing with its up-country constituents. For instance, the bank has established a branch at Ahmedabad, and if any constituent there should wish to remit 1,000 rupees to his family in England, the agent would not have power to draw a bill. The agent would be obliged to send instructions to the head office in Bombay to purchase from some other bank a bill on London. The directors apprehend that it is not the wish of the home Government to place the bank under such restrictions.

"(10.) It must be borne in mind, moreover, that if the power now asked for is granted, it will at all times be in the power of the Government, by its own directors, to see that the power is not abused, or exercised in any other manner than that contemplated by the Act.

"(11.) Under these circumstances, considering that the Government of India had consented to grant this limited power, and that such power cannot properly be said to be within the observations of Sir Charles Wood, I am instructed to say that the directors must ask to have this power conceded to them by the new Act."

(P.S.?)—"The clause* for the appointment of auditors is proposed to be inserted between Clauses XXXVII. and XXXVIII. of the Draft Charter."

54. The above letter was submitted to the Honourable Board by Mr. Acting Chief Secretary Robertson, with the following Memorandum:—

"Submitted to the Honourable Board, with a suggestion that the opinion of the Government law officers be taken as to the advisableness or otherwise of adhering to the wording of the bill as drawn, for the reasons stated by the bank's solicitors; or whether it would not be preferable to adopt the wording of the Act for the re-constitution of the Bank of Bengal.

"(2.) With respect to the observations made in paragraphs 6 to 11, relative to dealing in foreign exchanges, the undersigned is respectfully of opinion that, in the face of the

Appointment of auditors.

* "At the first general meeting in every year one or more auditor or auditors shall be appointed for the current year by a majority of the votes at the meeting, and in case of any casual vacancy occurring in such office the vacancy shall be filled forthwith by a special general meeting, to be summoned for the purpose. No director or other officer shall be eligible as an auditor. An auditor shall be re-eligible on his quitting office."

the instructions conveyed in paragraphs 49 to 55 of Sir Charles Wood's Despatch of the 16th September last to the address of the Government of India, the power to deal in foreign exchanges, even to the very limited extent called for by the directors, cannot be granted to them.

"(3.) The clause in the Draft Act might, however, be modified so as to state that they (the bank) may not deal in foreign exchanges, except to such extent and in such manner as the Governor in Council may authorise. The question might then be referred to the Secretary of State, and if he withdrew his objections to the bank's granting foreign bills to their constituents only as described, the necessary permission could be given, it being laid down as a rule that no issue of any such foreign bills should be made except with the sanction of at least two Government directors."

55. This Memorandum having been approved of by his Excellency the Governor and the Honourable Messrs. Inverarity and Frere, the Government solicitor was addressed to the effect suggested in paragraphs 1 and 2 thereof, and requested to modify the provisions of the Bill to the effect that the bank shall not deal in foreign exchanges, except to such extent and in such manner as the Governor of Bombay in Council may specially authorise.

Government letter,
No. 1608, dated 16
December 1862.

56. In reply, the following opinion of the Advocate General, Mr. Lewis, was submitted by Mr. Bickersteth:—

"I have read over the provisions contained in the Bills for re-incorporating and re-constituting the Banks of Bombay and Bengal, and although the wording and order of the enactments in the above Bills differ from each other, it does not appear to me (considering the nature of the subject) that there is that unnecessary verbosity in the provisions of the proposed Act for the Bank of Bombay, or that superiority of arrangement in the provisions of the Act for the Bank of Bengal (No. 4 of 1862) as to require the Bombay Act to be remodelled. The clauses of the Bombay Act appear to me to have been framed with care, and I see no adequate reason why the wording of the Act relating to the Bank of Bengal should be adhered to in preference to that of the Bombay Bank Act.

"(2.) I observe that the suggestions of the Governor General of India have been carried out by the insertion in the Bombay Bank Bill of a clause for the appointment of auditors, and I think that, in accordance with those suggestions, the limited liability clause had better be omitted in the Bombay Bank Bill.

"(3.) Alterations have been made in Clause 32 of the Bombay Bank Bill to prohibit the bank dealing in foreign exchanges, and in order to meet the views of Government, as expressed in the 2nd paragraph of the letter of the late Acting Chief Secretary to Government to the Government solicitor, No. 1608 of 1862, a proviso has been added at the end of article 8 of clause 32, leaving it to Government to modify that prohibition in such manner and to such extent as the Governor in Council may specially authorise.

"(4.) The language of the 42nd clause in the Bombay Bank Bill, which gives power to the proprietors to make bye laws, is somewhat involved, and I think the corresponding clause in the Bengal Bank Act might be advantageously substituted in its stead."

57. The following Minute* was recorded by his Excellency the Governor, and concurred in by the Honourable Mr. Inverarity:—

* Dated 24 January
1863.

"These papers should be transferred to the Legislative Department, with the view that the Bill amended, as suggested in paragraph 4 of the opinion of the Advocate General, be published in the "Government Gazette," in accordance with Rule 12 of the rules for regulating the conduct of business by the Legislative Council."

58. The papers were accordingly transferred to the Judicial Department on the 26th January 1863 (No. 103), and the Bill was published in a supplement to the "Bombay Government Gazette" of the 28th idem.

59. The following are extracts from the Proceedings of the Bombay Legislative Council relating to the Bill for the Bank of Bombay:—

"Mr. Robertson then proposed the first reading of the Bill for the re-incorporation and re-constitution of the Bank of Bombay. The honourable gentleman in introducing the Bill said:—

Proceedings of the Council met at Bombay on Wednesday the 4th February 1863. (Supplement to the "Bombay Government Gazette," dated 10th idem, page 215.)

"The object of the Bill, as stated in the preamble, is to re-constitute and re-incorporate the Bank of Bombay. This bank, as most of the Council are perhaps aware, was formed in 1839; and the shareholders obtained a charter by Act III. of 1840.

"Among other powers conferred by that charter, the bank were empowered to issue promissory notes, commonly known as bank notes. Power, however, was reserved to the Government under the Act to dissolve or modify the charter on 12 months' notice being given. Among the several financial measures of the late Mr. Wilson was one of the issue by the Government of a paper currency. This measure, after being considerably modified by the Secretary of State, and Mr. Wilson's successor, Mr. Laing, was passed into law by Act XIX. of 1861, by which the issue of promissory notes by any banking corporation was prohibited, excepting the Banks of Bengal, Madras, and Bombay, up to the 1st March 1862, on which date the banks had received notices, in accordance with the provisions of their Charter, that their powers to issue promissory notes would be modified.

"Subsequently, by Act XXIV. of 1861, powers were conferred on the banks to enter

into agreement with Government to take upon themselves the office of agents for the payment and exchange of the Government currency notes, and for transacting any part of the business of, or generally transacted at, the general treasury of the Presidency

"The principal changes now proposed are as follows:—

"By sections 5 and 6 the directors of the bank are to have power to increase to two crores and 10 lakhs of rupees the capital, which by the existing charter is limited to 50 lakhs.

"By section 9 trustees are not to be recognised, and by section 10 transfers of shares are to be either by separate deed, or deed endorsed on the share certificate, and to be registered,

"Section 14 provides that there shall be 10 directors, instead of nine, as at present. Of the 10 directors four are to be appointed and removable by Government, and the remaining six by the majority of a general meeting.

"By section 31 alterations are provided for with respect to the business of the bank, viz., in addition to the existing power (excepting that of issuing notes) the bank is empowered to grant loans and advances on goods, wares, and merchandise, or other property, acting as agents in commission, &c. The bank may issue post bills and letters of credit payable in India, but the bank is not to deal in foreign bills, unless especially authorised by Government to draw or buy bills, &c., payable out of India for the use of their own constituents. With respect to the latter provision, I beg to explain that it was originally intended to give the bank power to deal in foreign exchanges, but the Secretary of State in a Despatch recently received has objected to the grant of this privilege. On Sir Charles Wood's instructions being communicated to the directors, they submitted a representation, explaining the nature of the powers in this respect which they desired to obtain, and pointing out that they did not come within the scope of the observations made in the Despatch of Sir Charles Wood. This explanation has been forwarded to the Home Government, and it is with the view of enabling the Government to grant the bank the powers they seek, should the Secretary of State see fit to concede them, that the concluding words of this clause have been inserted.

"Section 32 has reference to the taking over by the bank of the business of Her Majesty's General Treasury at the Presidency on the terms agreed upon between the directors and the Government, and to the bank's conducting the issue and payment of Government currency notes as provided for by Act XXIV. of 1861, while by section 40 branch offices may be established at Mofussil stations, with the sanction of Government, to conduct similar business upon conditions to be agreed on.

"Power is also given to the bank by section 41 to take over the business of any other bank.

"The above are the principal alterations made by the new charter. Before closing these remarks, I, however, consider it necessary to state, in explanation of the delay which has occurred in bringing forward this Bill, that it was originally forwarded to the Government of India for the purpose of being placed before the Legislative Council of India, but was returned by them, so that it might be introduced into this Council. It would have been brought forward last Session, but instructions were received to await the expression of the views of the Secretary of State on the measure.

"I now beg to move that the Bill be read a first time."

"Mr. Tristram said that in the Bill, as it was now presented, he noticed several variances, and some of them important ones, from the original draft. By section 5 for instance, as it now stood, it would be open to the directors to increase their capital, without any notice to the shareholders, at an ordinary general meeting. He thought that the provision which required the sanction of a special meeting to an increase of capital ought to be preserved.

"In section 9 it was first provided that no notice of any trust should be received or registered by the bank: but a few lines further on it was provided that such notice should be received with respect to any person in whose name a share should be registered. This, he considered, made the former part of the section to a great extent nugatory. Referring to section 28, he found that the secretary, treasurers, &c., of the bank were prohibited from engaging in any other business, but the case of officers of the proposed branch banks appeared to be overlooked. Something explicit ought to be laid down with regard to the employés at the branches as well as at the Presidency establishment.

"In clause 8 of section 31 the words, 'when specially authorised so to do by the Governor in Council of Bombay' would make it incumbent on the bank, whenever it wished to accommodate a customer with a bill of exchange or letter of credit, to obtain the special sanction of the Governor in Council to the transaction. Such a cumbrous and roundabout process must, he thought, be fatal to business, and the words he had quoted should be omitted. He hoped to see these defects remedied before the Bill became law.

"The question was then put, that the Bill be read a first time.—*Carried.*

Proceedings of the Council met at Bombay on the 11th March 1863. (Supplement to the "Bombay Government Gazette," dated 24 March 1863, page 287.) "The Council then proceeded with the consideration on a 'Bill for the re-incorporation and re-constitution of the Bank of Bombay.'

"Mr. Tristram moved that the words 'and for the remuneration of the directors' be inserted after the word 'bank,' in line 14 of section 45 of the Bill. The remuneration of the directors, he said, had been provided for by the second rule of Schedule B., which had now been omitted; and the directors, under the powers conferred by section 45, might vote themselves to the remuneration by a bye-law. But this would be an invidious proceedings

proceeding which the directors would rather avoid. The object of the proposed change was to leave their remuneration to the votes of the proprietors at large.

"The amendment was then put and carried; and the section, as amended, having been agreed to, Mr. Robertson moved that the Bill be read a second time, and passed.—*Carried.*

"The Bill was read a second time, and passed."

60. With a letter, No. 8, dated the 13th April 1863, this Government forwarded, for the instructions of the Secretary of State, with reference to paragraph 50 of his Despatch of the 16th September 1862, an extract (paragraphs 6 to 11) from the letter from the Secretary, Bank of Bombay, No. 7384, dated 10th December 1862, and wrote as follows:—

Vide paragraph 48 of Summary.

"(2.) It will be seen that the concession which the directors ask with regard to dealing in foreign exchanges is 'simply a power to enable the bank to remit, for the convenience of its constituents in the agency department, sums of money to London by its own bills, and that the bank should be allowed to provide funds in London by purchasing here and forwarding to its agents in London bankers' drafts only.

"(3.) We have, however, modified the Bill for granting a new charter to the said bank, in accordance with the views expressed in paragraphs 50 to 55 of your Despatch to the Government of India above quoted, reserving at the same time to this Government the power to permit the bank to deal in foreign exchanges to the limited extent proposed for the convenience of the bank's constituents in the agency department, in the event of your acceding to the request of the directors; and it is our intention, we would observe, in such a case, to lay it down as a rule that no foreign bill shall be issued by the bank without the sanction of at least two Government directors, who must satisfy themselves that the Bill is given strictly for the remittance of money by the bank's constituents in the agency department, and for no other purpose.

"(4.) A copy of the Bill, which has been passed by the Legislative Council of this Presidency, is herewith forwarded. The modifications alluded to in the preceding paragraph have been made in section 31, corresponding with the same section of the draft which accompanied our letter, No. 6, dated 12th May 1862. It will, further, be seen that the suggestions of the Government of India, contained in their communication noted in the margin, copy of which was also enclosed with our letter just quoted, have been attended to."

No. 2525, dated 5 April 1862.

61. Irrespectively of the above letter, the Secretary of State with a despatch, No. 69, dated 16th June 1863, forwarded copy of one he had addressed on the 10th idem (No. 103) to the Government of India, in which, after reviewing the observations of that Government (made in reply to the former despatch from the Home Government of the 16th September 1862), in reference to the arrangements which had been made by them for the employment of the Bank of Bengal and its branches in connection with the issue and circulation of notes, Sir C. Wood wrote as follows:—

"(12.) I remain, therefore, of opinion that the only sound system for the management of the paper issue in India is that it should be entirely in the hands of the Government, and that the bank should have no connexion whatever with it, and I adhere to that which I conveyed to you in paragraph 31 of my financial despatch of the 16th September 1862, that it is 'wise to intrust to Government agency, and to Government agency alone, the issue of paper as well as of metallic money, combining, as far as possible, both measures in the same department of Government, and to leave to banks only the exercise of legitimate banking functions.'

"(13.) I am equally certain that in the exercise of its legitimate functions the bank would essentially promote the circulation of notes, as I pointed out to you in the subsequent paragraphs of that despatch.

"(14.) I have, therefore, to desire that you will, at the earliest period in your power, take measures for carrying into execution the instructions contained in that despatch:—

"1st. That the notes in Calcutta should be issued by the commissioner at the mint, and that the means of verifying the notes and exchanging notes for bullion and coin, and *vice versa*, should be established there.

"2nd.—That at certain places, which probably need not exceed five or six in Bengal and the Upper Provinces, offices should be established for the issue and exchange of notes.

"3rd.—That these notes should differ from the Calcutta notes only in having the name of the place of issue marked upon them; should be convertible of right only at the place of issue, or at Calcutta; should be receivable *everywhere* at Government treasuries in payment of taxes, and should be converted at any other place of issue, if the officer anticipated no risk in doing so.

"(15.) I merely point to these general measures, and for any further details I need only refer you to my former despatches, and especially to my financial despatch of the 2nd May 1861, requesting you to keep in mind the fundamental principle that the bank is to have no part in the management of the currency.

Financial letter to India, dated 2 May 1861, No. 75:—

Extract, paragraph 32:—"The issue of notes should, therefore, be kept quite distinct from any banking establishment, and the supply of notes to any banks must be on precisely the same terms as to any other person."

"(16.) An obstacle may exist in the agreement with the Bank of Bengal for the management of the issue and circulation of notes, receiving a payment of three-quarters

per cent. on the notes taken over by it. As the agreement is only for five years, and as by the change above directed the bank will be relieved from considerable expense and responsibility, they may not be unwilling to come to an arrangement for cancelling the agreement and dispensing with the payment, and I shall be ready to view favourably any proposal which you may make for this purpose.

“(17.) I entirely approve of your placing the whole of the Treasury business in the hands of the Bank of Bengal and its branches, as pointed out in paragraph 57 of my financial despatch of the 16th September 1862. I am also in favour of your encouraging the bank to establish branches in different parts of the country, to which the Government Treasury business of the place may be transferred.

“(18.) I apprehend that, in confiding to the Bank of Bengal and its branches the management of the Treasury business, you will, be able without detriment to the public interests, to extend such advantages to the bank as will fairly compensate it for any loss to which it may be exposed from the withdrawal of the three-quarters per cent. on the currency business. I should hope, therefore, that you will not find much difficulty in this matter.

“(19.) I cannot, however, give up the condition on which alone any bank can be entrusted with the Government business, and that is, that it should be debarred from dealing at all in foreign exchanges.

“(20.) I believe that by the establishment of a great bank entrusted with the business of the Government important advantages may be secured, not only to the Government, but also to the public and to the bank itself; that, without loss or danger to the Government, great benefit may be obtained by the bank from its connexion with the Government, but it is essential for the security of such operations that the business to be conducted by it should be legitimate banking business, and that it should abstain from all speculative commercial transactions.

“(21.) The same course should be adopted also in regard to the Banks of Madras and Bombay, and probably but little difficulty will be found in those Presidencies, as the arrangements have not proceeded so far as in Bengal. Copies of this despatch will therefore be sent to the Governments of Madras and Bombay for their guidance.”

62. The Bombay Bank Bill received the assent of the Governor General on the 4th July 1863, and was published by the Governor of Bombay on the 1st August following as Bombay Act No. X. of 1863, “An Act for the reincorporation and reconstitution of the Bank of Bombay.”

Vide paragraph 56 of Summary.

63. With reference to Sir C. Wood's Despatch, No. 103, dated 10th June, the Government of India, were informed on the 7th August 1863, No. 791, that his Excellency the Governor in Council doubted whether the directors of the Bank of Bombay would consent without compensation to the cancelling of that portion of the agreement entered into with them which entitled them to a commission of three-quarters per cent. on all currency notes they might put into circulation, but that this Government would await the instruction of the Government of India as to the action to be taken in the matter.

* Despatch, No. 92, dated 15 August 1863.

Vide paragraph 55 of Summary.

64. In reply to the letter from this Government, No. 8, dated 13th April 1863, the Secretary of state referred* to his despatch to the address of the Government of India, No. 103 of 10 June following “copy of which” (observed Sir C. Wood) “was forwarded for your information and guidance, wherein it is stated that the condition on which alone any bank can be entrusted with the Government business is ‘that it should be debarred from dealing at all in foreign exchanges.’”

65. A copy of Sir C. Wood's Despatch (of 15th August 1863, No. 92) was communicated to the Secretary, Bank of Bombay, No. 1028, dated to the Bank of Bombay, with reference to their letter dated 8 October 1863. No. 7384,† dated 10 December 1862.

† *Vide* paragraph 48 of Summary.

66. Before the above letter to the bank was written, Mr. Ryland, their deputy secretary and treasurer, had addressed Government as follows:—

“With reference to section XXXII., paragraph 8, of Act X. of 1863, for the reincorporation and reconstitution of the Bank of Bombay, which recites that ‘it should be lawful for the said bank, if authorised so to do by the Governor in Council of Bombay, to draw bills of exchange and grant letters of credit payable out of India for the use of their constituents in the agency department for the remittance of funds realised by them acting as agents in the manner aforesaid, and to buy bills of exchange payable out of India for the purpose of meeting such bills or letters of credit,’ I am directed respectfully to request that his Excellency the Governor will be pleased to grant the requisite authority to enable the bank to avail themselves of the power so conditionally accorded and to point out that delay in granting such authority will operate most injuriously to the bank in places where other banks which possess the power of drawing on England have already entered into competition with the branches of the Bank of Bombay.”

Mr. Ryland's letter, No. 6921, dated 2 October 1863.

Letter to the Secretary and Treasurer, Bank of Bombay, No. 1037, dated 9 October 1863.

67. In reply to the above, the directors were referred to the Government letter No. 1028, dated 8th October 1863.

68. In reply to the letter from this Government No. 791, dated 7th August 1863, the Government of India stated that they were in communication with the Secretary of State.

on the subject, and that instructions would be given upon it at the earliest practicable date.

69. In a despatch to this Government No. 133, dated 31st December 1863, Sir C. Wood wrote—

“In a despatch to the Government of India in the Legislative Department dated the 24th December 1863, No. 57, I have abstained from interference with the assent which has been given by his Excellency the Governor General to the Bill for the re-incorporation and reconstitution of the Bank of Bombay.

“(2.) In Clause XXXII. of the Bill in question I observe that power is given to the said bank, if authorised so to do by the Governor in Council of Bombay, to draw bills of exchange, and grant letters of credit payable out of India.”

“(3.) With reference, however, to paragraph 19 of my financial despatch to the Government of India, dated the 10th June last, No 103, (a copy of which was forwarded to you), stating that Her Majesty's Government could not give up ‘the condition on which alone any bank could be entrusted with the Government business, and that is, that it should be debarred from dealing at all in foreign exchanges,’ I desire that the permissive authority referred to in the Act may not be granted to the bank by your Government.”

70. Sir C. Wood was informed that his instructions would be attended to, and that, in accordance with the instructions conveyed in his despatch of the 15th August 1863, No. 92, this Government had already refused to comply with the application of the Bank of Bombay on this subject.

71. With reference to the despatches from the Secretary of State, dated 16th September 1862 and 10th June 1863, the Government of India requested this Government to inform the Bank of Bombay that the Governor General in Council was prepared to recommend to the Secretary of State a revision of the existing agreement with the bank, based on the following conditions:—

“I. That the agency of the Bank of Bombay for the issue and circulation of the Government paper currency under the existing agreement shall cease.

“II. That the annual sum of 2,47,500 rupees (being three-quarter per cent. on 3,30,00,000 rupees) shall be paid to the Bank of Bombay until the 1st of March 1867, as compensation for the loss of such agency.

“III. That the bank shall act as bankers to the Government at Bombay, on the understanding that an average annual balance shall be kept of 40 lakhs of rupees which shall be shown in the bank accounts as Government balance, and that if the Government balance should, at any time, fall below 20 lakhs, interest will be paid on the difference between the amount of the actual balance and the sum of 20 lakhs, the interest being calculated at the average rate of interest paid by the public on fixed loans during the month. The Government cash balance will be understood not to include copper money packed for remittance, nor any separate accounts of public officers apart from the account of the Government.

“IV. That the bank shall act in the same capacity at places in the Bombay Presidency where branch banks may be established by it with the sanction of the Government, and the bank will be at liberty to employ for its own benefit the Government balances deposited at the branch banks, on the understanding that they are shown in the bank accounts as Government balance, and that the bank will at all times be ready to meet the drafts of the Government.

“V. That the bank shall not draw or purchase at its own risk bills of exchange or letters of credit payable out of India.

“VI. That the present payment of 12,240 rupees for establishment shall be continued during the term of the new agreement.

“VII. That the bank shall undertake the duties connected with the management of the Registered Public Debt at Bombay, now performed under the superintendence of the Deputy Auditor and Accountant General, including the payment of interest, and shall be responsible for any losses which may occur in reference to such management, in consideration of which the bank will be paid 4,000 rupees per crore of that portion of the debt the interest of which is paid in the Bombay Presidency.

“VIII. That the agreement to be entered into on these terms shall take effect as soon as it can be prepared in detail, and be duly executed after the receipt of the approval of the Secretary of State, and shall last for seven years, from the 1st of March 1867.”

72. And the Government of India desired to be informed whether the directors of the bank were willing to enter into a new agreement on the above-mentioned terms.

73. The directors of the Bank of Bombay, after stating that, having given due and careful consideration to the terms proposed in the above letter, they felt compelled, in the interest of the shareholders, to decline at present entering into a new agreement on those terms, wrote as follows:—

“(2.) As the directors have every wish to transact the banking business of Government on fair and reasonable terms, I am requested to state briefly their reasons for declining the present proposal.

133. —

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“(3.) Since

Letter from the Government of India, No. 5243, dated 29 October 1868.
Vide paragraph 58 of Summary.

Letter to Sir C. Wood, No. 5, dated 27 February 1864.
Vide paragraph 59 of Summary.

Letter from the Government of India, No. 3955, dated 15 December 1864.

Letter from the Bank of Bombay, dated 25 January 1865.

"(3.) Since entering on existing agreement, almost the only profit accruing to the bank from Government business has been commission derived from the issue of the Government paper currency.

"(4.) Before this agreement was arranged, the Bank of Bombay issued its own notes, and derived a considerable profit from this source. In consideration of giving up their own issue they received the agency for the Government paper currency at a commission of three-quarter per cent., which they do not consider excessive. They would, therefore, respectfully submit that, after being compelled to give up their own issue, it is hardly reasonable that they should be asked to surrender the Government agency also, receiving as compensation commission *for two years only* on a sum considerably less than that upon which the bank is now entitled to charge.

"(5.) In the 3rd clause of proposed agreement the Bank of Bombay is asked to act as bankers for the Government on terms much less favourable than those which they were led to hope would have resulted under the agreement now in force.

"(6.) The business of Bombay during the past two years has been of so peculiar a nature that the Government balance, instead of proving a source of profit to the bank, has, on the contrary, been, for the most part, a source of ceaseless anxiety to its directors. This was very clearly pointed out by the Government directors in their letter to the Government of India written in the end of 1864, at a period of extreme pressure here. It was there shown that on the 18th September 1864 Government balance was upwards of 84 lakhs, but on the 16th November, when the money pressure was at its height, this balance was reduced 23 lakhs, a diminution of 73 per cent., whereas at the same time the reduction in first class deposits was not more than 60 per cent.; thus showing that in troublous times the Government balance was a source of even greater anxiety to the bank than all its first class depositors.

"(7.) Owing to the greatly increased business in exchange in Bombay during the past two years, it would have been of essential service to the community, had Government kept a large fixed balance in Bombay, and fixed minimum balances at each of the branches where there are treasuries.

"(8.) At present six first class depositors (banks) have balances with this bank amounting to over three crores, and as the bulk of this might be within one month withdrawn for the purposes of exchange, unless the bank could at such times show a fair Government balance, the withdrawal of so large an amount from private accounts might have an undue effect on our money market.

"(9.) The directors would, therefore, submit that an arrangement based on the average annual balance, as now proposed, would not be equitable for the bank. They consider that interest should be charged on the difference between daily balance and the minimum sum agreed upon without reference to the annual average balance. From statement annexed showing fluctuations in Government balances it will be seen at a glance that the bank cannot depend upon them, and although, like first class bank deposits, they make a good show in returns, they are yet, in a great measure, practically unavailable for employment in the ordinary business of the bank.

"(10.) In paragraph 4 the Bank of Bombay is requested to act as bankers for Government where it has branches established. For this no remuneration is proposed. The bank originally opened branches in full faith that the present agreement would have been carried out as originally proposed, that at each branch where there was a treasury the same would be handed over to the bank, that a minimum Government balance would be fixed for each treasury, and that the amount of expenses incurred by Government would be paid to the branch bank for conducting the treasury business. Up to this day the bank has not received charge of a single treasury, and the result is, as has been frequently pointed out, that the branches of the Bank of Bombay, instead of proving feeders to the head office (as the directors had every reason to expect they would be had they been placed on an equal footing with the Bank of Bengal), have required to be fed constantly by the parent bank, and that invariably to the greatest extent when money is most useful in Bombay.

"(11.) At the end of the past year, when a period of pressure was imminent, the Directors have great reason to believe that this was in a measure averted by the increase to the capital of the bank. As they will in future have double the amount of capital seeking for dividends, they will have diligently to employ their funds; and would, therefore respectfully submit that it would not be for the interest of the bank to agree to proposition in paragraph 4.

"(12.) With reference to paragraph 5, the Bank of Bombay would only request permission to remit interest, dividends, &c., for its own constituents in its own drafts on London, covering the same from time to time by such bills of remittances as may be approved by the directors. This would avoid the necessity of mail by mail purchasing for convenience of constituents numerous small drafts from other banks.

"(13.) Clause 6 proposes that the present pay of 12,240 rupees for establishment should be continued. Owing to the greatly increased expense of living in Bombay, salaries have within the last year or two increased fully 100 per cent., and the directors are of opinion that the maximum has not yet been reached. As the bank are losers by the present payment,

payment, Government will at once see that the directors could not accede to their proposal.

“(14.) Clause 7 relative to the bank undertaking management of the registered debt, is in part answered by the last paragraph. The directors estimate that 4,000 rupees per crore would not pay for the required establishment, so that it would be impossible for them to undertake this duty upon the terms proposed, and be responsible for any losses that might occur in the management, unless at the risk of the account proving a source of loss, instead of profit.

“(15.) Taking all the circumstances into account, and looking at the grave and peculiar changes of the money markets of the world during the past two years, and the probability of even greater and graver changes within the period of the existing agreement, the directors are of opinion that it would not be prudent for them to enter into a seven years' agreement in January 1865, which is not to come into real operation till March 1867.

“(16.) They would again respectfully request that Government would, even at this late period, place the Bank of Bombay on an equal footing with the Bank of Bengal, by placing the treasuries at the places where branches have been established as early as possible under the management of the bank, and arranging for a minimum balance at each of them.

“(17.) They trust that Government may see fit to do this, and the directors desire respectfully to assure Government of their readiness to enter into a fresh agreement, and to carry on the banking business of Government on such fair and reasonable terms, and for such a period of years, as may be agreed upon when the present agreement approaches its termination.”

74. A copy of the above letter was forwarded to the Government of India on the 1st February 1865 (No. 88).

75. On the 24th June 1865 the Government of India forwarded to this Government copy of a despatch, No. 88, dated 7th April 1865,* in which the Secretary of State replied to the letter addressed to him regarding the proposals made to the Banks of Bengal, Madras, and Bombay.

76. The Bank of Bengal, it appeared, had, on almost all the questions of the arrangement, agreed to the proposals of the Government of India.

77. As it may be useful to know what points in reference to the Bengal Bank remained undecided, and what where the instructions of the Home Government on those points, extracts from the above despatch from Sir C. Wood on the subject are subjoined:—

“The only points which still remain undecided are the following:—

“1st.—The mode in which the average Government balance is to be determined.

“2nd.—The proposition of the bank, that if the cash balance at any of the branch banks should be insufficient to make a fair contribution towards the expenses of those branches, the Government should make such a fixed annual payment as might be agreed on, not exceeding the saving of cost to Government at such place by the bank taking the business.

“3rd.—The amount to be paid for the management of the public debt.”

“(3.) In regard to the first point, the directors of the bank appear to admit that 350,000 *l.* is a fair average balance, but they object to gold mohurs, small silver coins and copper money being included therein, and you recommend that, in order to meet that objection the sum of 450,000 *l.* should be fixed as the maximum average balance, including every description of coin deposited in the bank by the Government. I am prepared to approve of an arrangement based on either of the propositions specified in your letter.

“(4.) With reference to the second point, you observe that it would be ‘for the advantage of the Government banks to undertake the Government business at their branch banks on the ordinary terms of having the use of the Government balances, and that if the Bank of Bengal declines to engage on these terms, other banks would readily undertake to do so,’ and I concur with you that their proposition cannot be acceded to.

“(5.) As to the third point, the bank is willing to undertake the detailed management of that portion of the registered debt paid in the Bengal Presidency for the annual remuneration of 4,000 rupees per crore, on condition that this rate be paid on a minimum of 30 crores, that is, as I understand it, that whatever the amount of the registered debt may be below 30 crores, the bank should nevertheless receive 1,20,000 rupees for its management, and that the fees levied for the renewal of notes, &c. be given to the bank.

“(6.) As

* Together with copy of a letter addressed by the Government of India to the Bank of Bengal on the 24th June 1865, No. 1020, consequent on the receipt of Sir C. Wood's Despatch.

	Rs.	
* Per crore - - - - -	2,600	
Deducting fees on 35 crores 21,023		
rupees, or say per crore - - -	600	
The cost would thereby be re-		
duced to - - - - -	2,000	

“(6.) As you have ascertained that the debt, at Calcutta, after taking every possible charge into account, has hitherto been managed by Government servants at the cost of 2,600 rupees per crore* I concur in your opinion that a payment of 4,000 rupees per crore would be an ample remuneration to the bank for the expense and risk of management.

“(7.) The payment to the Bank of England in this country for the management of India debt varies from 300 l. to 340 l. per million, the last-mentioned sum being paid in respect of India stock, which being liable to subdivision into small fractional sums involves very numerous transfers and a large amount of labour. That arrangement was made when the debt in question only amounted to six millions, but no proposition was made by the Bank of England as to payment for a minimum amount.

	Per Ann.	
	Rs.	
3,500 rupees per crore on 35 crores	1,22,500	
Fees on average of last three years	21,023	
* (S. O.)	* 1,44,523	
Or per crore	4,129	

“(8.) I cannot authorise your acceding to the proposition of the Bank of Bengal, either that the payment should be made on a minimum debt of 30 crores, or that the fees should be received by the bank in addition to 4,000 rupees per crore. I will not, however, object to the bank receiving the fees in addition to a rate of 3,500 rupees per crore, which, according to the average of the last three years, would raise their remuneration to 4,129 rupees per crore; and I also authorise you to agree, that in the event of the debt payable in Calcutta falling below 30 crores, the remuneration to the bank shall be subject to reconsideration.

“(9.) On all other points I approve of the arrangements which you have made with the Bank of Bengal, and I anticipate that, with the further modification now referred to, no difficulty will be found in the completion of the agreement.”

78. After observing that no further steps could be taken in regard to the Bank of Madras until their reply to the communication which had been made to them by the Government of India should have been received, Sir C. Wood stated in reference to the Bombay Bank:

“(11.) I regret that the Bank of Bombay should have declined your propositions, which were similar in principle to those made to the Bank of Bengal. Of course, no further concession will be made to the Bombay Bank during the currency of the present agreement, and before the date of its expiration it will be necessary to consider what arrangements will be requisite to provide for transaction of the Government Treasury business, and whether it may not be expedient to effect arrangements with other banks.”

Letter to the Secretary and Treasurer Bank of Bombay, No. 703, dated 7 August 1865.

79. The Government of India desired that the suggestions made in the above paragraph (11) might be taken into consideration. A copy of that paragraph was communicated to the directors of the Bank of Bombay.

APPENDIX (A).

AGREEMENT WITH THE BANK OF BENGAL.

MEMORANDUM OF AGREEMENT made and entered into this twenty-sixth day of September in the year of our Lord one thousand eight hundred and sixty-one, between the Secretary of State in Council for India of the one part, and the Bank of Bengal of the other part.

WHEREAS the Governor General of India in Council, under and by virtue of the provisions of Act VI. of 1839 of the Legislative Council of India, on the eleventh of February one thousand eight hundred and sixty-one, gave notice, in writing, to the Bank of Bengal, that from and after the expiration of twelve calendar months, from the date of the said notice, the Bank of Bengal and its then powers and authorities would be modified, and by Act XIX. of 1861 the powers and authorities of the said bank have been accordingly modified, as by that Act appears: And whereas at the time when the said notice was so given negotiations and arrangements were pending between the Governor General of India in Council, (acting in the premises on behalf of the said Secretary of State) and the Directors of the Bank of Bengal, having for their object the transfer to the said Bank of the business of the Government Treasuries at Fort William and elsewhere in the Presidency of Fort William and the Provinces annexed thereto, and the superintendence and management of the said Bank, for the Government of India, of the issue of the then proposed Government Paper Currency: And whereas the general terms of the said proposed arrangement have now been finally settled and agreed upon between the Governor General in Council and the Directors of the said Bank, and by the said Act of 1861, the said Bank have been empowered to enter into an agreement in that behalf with the said Secretary of State in Council: And whereas by Act XIX. of 1861 of the Legislative Council of India provision has been made for the issue by the Government of India of Promissory Notes payable to bearer on demand: Now this Indenture witnesseth that for the purpose of carrying out the said arrangement, and in consideration of the payments and covenants herein-after respectively mentioned and contained, and by, and on the part of the said parties to these

these presents, respectively, to be paid and performed, each of them, the said Secretary of State in Council, and the said Bank of Bengal doth and do hereby, for himself and themselves, and his and their respective successors, covenant and agree with the other of them and their and his respective successors in manner following (that is to say):—

First.—From and after the day to be appointed by the notification mentioned in the 20th paragraph of these presents, the business of receiving and paying money on behalf of the Supreme Government of India and the Government of Bengal, heretofore transacted at the General Treasury at Fort William, shall be carried on and transacted by the Bank of Bengal, subject to the provisions of this Agreement, and to such orders and directions with regard to receipts and payments as may, from time to time, be given to the said bank by the Governor General in Council, or any of the officers of the Government of India authorised in their behalf, and for the purpose aforesaid, such account or accounts shall be opened in their books by the said Bank with the Government of India and Government of Bengal, as the said Government of India shall from time to time direct.

Second.—The cash balance now in the general treasury shall, from and after the day appointed by the notification aforesaid, be deposited with the Bank of Bengal, who shall also hereafter receive and hold for the said Government of India and Government of Bengal, respectively, all moneys and balances which, but for these presents, would have been received or held by the said general treasury; and the bank shall transact, at their principal office in Calcutta, all such business for the Government of India and Government of Bengal respectively, regarding the receipt, collection, payment, and remittance of money and securities and other matters, as is usually transacted by bankers for their customers.

Third.—That from and after the day appointed by the notification aforesaid, the said Secretary of State in Council shall pay to the bank the actual costs and expenses of packing and shipping specie remitted under the preceding clause, and for which costs and expenses contingent bills shall, from time to time, be submitted to the Civil Paymaster, Fort William, for the time being, and be passed by him, on approval; and the said Secretary of State in Council shall, from and after the last-mentioned day, further pay, or cause to be paid, to the said bank the yearly sum of forty-three thousand six hundred and six rupees, in full of all costs and expenses attendant on the maintenance by the said bank of the establishment of clerks and servants necessary for the carrying on of the said Government banking account and business, and the bank shall not charge any interest nor commission on the said account, except under such arrangement as in the next following clause mentioned.

Fourth.—That so long as the average cash balance for any month in the hands of the said bank, on the said Government banking account, shall not exceed seventy lakhs of rupees, the said bank shall be at liberty to use and employ such balance, subject to the provisions of their present Charter Act, or any future Act relating to the said bank, and to appropriate the profits arising from such employment, without being charged with any interest in account: And that, when and so often as the monthly average of such cash balance shall exceed seventy lakhs of rupees, the Directors of the said bank, for the time being, shall forthwith either set aside such excess or surplus in cash, to be kept in reserve in a separate cash room or place of deposit on account of the said Government of India, or shall, at the option of the Directors of the bank, invest such excess or surplus on account of the Government of India, either in the purchase of Government securities or railway debentures guaranteed by Government, in the name of the Accountant General, or of such other officers as the Government of India shall, from time to time, direct, or in the discount of Government acceptances or other claims against the Government, and so that such surplus shall be withdrawn from employment as part of the general funds of the bank, and so on from time to time, as often as an uninvested surplus cash balance above seventy lakhs of rupees shall, on the taking of the monthly average, appear to be in the hands of the bank. And the said bank shall at all times be answerable and accountable to the Government of India for the surplus cash balance for the time being so set apart or invested, but shall be entitled to draw and apply the interest or dividends arising from such investment, from time to time, to their own use. But when and so often as the cash balance in the hands of the said bank shall, on the taking of the monthly average, appear to have been less than fifty lakhs of rupees then, in addition to the profit which the said bank may acquire by the employment of such balance, free from interest as aforesaid, an additional allowance or remuneration by way of compensation, shall be made to the bank by the payment by Government of interest on the difference between the amount of the actual balance of Government and the sum of fifty lakhs, the interest being calculated at the average rate of interest paid by the public on fixed loans during the month.

Fifth.—That the books of account and minutes of proceedings of the bank relating as well to the said Government banking account and business as to the general accounts and business of the bank shall, from time to time, and not less than once, and not exceeding four times, in any one year, be submitted to the examination and audit of an officer or officers to be, from time to time, appointed or authorised by the Governor General in Council for that purpose, and the report of such officer or officers as to the state of the banking account between the Government of India and the bank, or as to the cash balances invested or uninvested for the time being in the hands of the bank, or as to any proceeding relating to the said banking account or business, shall first be laid before the directors of the bank,

to enable them to furnish any explanation or further information touching any of the matters referred to in the report; and such report, together with the explanation, shall then be submitted to the Governor General in Council, whose order, decision, or finding, on such report shall be binding and conclusive on the bank.

Sixth.—That from and after the day appointed in the notification aforesaid, an agency of issue shall be established at the principal office of the Bank of Bengal as the agency for the circle of issue (of Calcutta) under Act XIX. of 1861, and that the said bank shall and will act as agents for the said Secretary of State in Council and the Government of India, in and for the issue to the public at Fort William, and the circulation of the Government currency note established by the said Act, and in the payment and cashing of such notes, and in all things required to be done by such agents or at such agency, under or by virtue of the said Act.

Seventh.—That all demands for the issue of Government currency notes that shall be made in the circle of issue of Calcutta, under the 9th Section of the said Act XIX. of 1861, may be made at the said agency at the principal office of the Bank of Bengal at Calcutta; and that the said bank shall and will, from time to time, issue and deliver from and at such agency such amount of the said Government currency notes as may be duly demanded or applied for at the said agency, by any person or persons, or body or bodies corporate, desiring and entitled to have the same issued under the provisions of the said Act; and shall and will for that purpose, from time to time, apply to the Head Commissioner of the Department of Issue, established under the said Act, for such Government currency notes of such denominations as shall be necessary to enable the said bank to make such issue and delivery.

Eighth.—That whenever the said bank shall issue and deliver at and from such agency any Government currency notes under the 2nd Clause of the said 9th Section of the said Act, in exchange for standard silver bullion, or foreign silver coin, or under the proviso in the said section, in exchange for foreign gold coin or gold bullion, the said bank shall and will, before such issue and delivery, require the production by the person tendering such coin and bullion of a certificate signed by the master of the Calcutta Mint, that such coin or bullion has been weighed and assayed, and has been deposited in the Mint to the full amount in value of the notes so to be issued, or shall otherwise satisfy themselves that such bullion or coin to the amount in value of the notes so to be issued at the rates authorised in the said clause and proviso, respectively, has been deposited with the said Department of Issue to the satisfaction of the said head commissioner, according to such mode as shall, from time to time, be directed with the sanction of the Government of India by the said Head Commissioner.

Ninth.—That whenever the said bank shall issue and deliver at and from such agency any Government currency notes under the 1st or 3rd Clause of the 9th Section of the said Act XIX. of 1861, in exchange for current silver coin of the Government of India, or for other currency notes of the Government of India, payable to bearer on demand, or of other amounts issued within the said circle, or under the proviso in the said section, in exchange for gold coin of full weight of the Government of India, the said bank shall carry the amount of the said current silver coin or notes, or gold coin of the Government of India, received by it in exchange for the notes so issued, to the credit of the Issue Department of the said Government in such account as the said Head Commissioner, with the sanction of the Government of India, shall, from time to time, direct for that purpose.

Tenth.—That the said bank shall not issue or deliver any of the Government currency notes provided and supplied to it by the said Head Commissioner for the purpose of being issued under the said Act, except to such person or persons, or body or bodies corporate, as shall be entitled to demand the same according to the provisions of the said Act, and shall have complied with the conditions of the 9th Section thereof, or otherwise than according to the provisions of the said Act.

Eleventh.—That the said bank shall and will, during the continuance of these presents, pay and satisfy on demand to the holders the amount of all Government currency notes, duly issued according to the provisions of the said Act XIX. of 1861, either in Calcutta, or in any other circle of issue within the Presidency of Fort William in Bengal, which shall be presented for payment or conversion into cash at the principal office of the Bank in Calcutta.

Twelfth.—That a settlement shall take place at least twice in every week, and if required by the bank, or by the Head Commissioner of the Issue Department, daily at the office of the bank in Calcutta between the bank and the said Department of Issue, in respect of the notes issued, the bullion or coin, and notes in exchange for which the same have been issued, and the notes cashed or converted, under these presents, or the said Act, by the bank, and the difference in Government currency notes, or in cash and bullion (as the case may be), shall on such settlement be adjusted, transferred and paid.

Thirteenth.—That so much of the business of the said Issue Department as shall from time to time be carried on at the bank's office, shall be under the direct control and inspection of the Head Commissioner of the said Department of Issue.

Fourteenth.

Fourteenth.—That the bank shall, if required by the officer in charge of the Government Issue Department so to do, provide and keep a separate strong room or strong box for the reception and safe keeping of all currency notes, coin and bullion, belonging to the said Issue Department; and such room or box shall be under the separate control of the said Issue Department, and its contents shall always be kept separate from the bank funds and property, and shall be at the exclusive risk of the Government of India, except in case of loss through the neglect, default, or misconduct of the bank or any of its officers or servants.

Fifteenth.—That the bank shall at any time during the continuance of this agreement, when, and if, required by the Governor General in Council, but not otherwise, provide a sufficient and convenient office for the Department of Issue at Calcutta, and for the Head Commissioner of the said office, upon the premises of the said bank in Calcutta, at which office the said Head Commissioner shall and may conduct the whole, or any such part, of the business of issue of the said Department of Issue as the Governor General of India in Council may, from time to time, direct, and that the bank shall and will provide the necessary accommodation and establishment of clerks and servants for carrying out the current duties of the said office.

Sixteenth.—That the whole responsibility for loss or damage that may be occasioned by, or arise in respect of, the theft or loss of any Government currency notes made under the said Act 19 of 1861, from and after the time of the said currency notes being delivered from the said Department of Issue to and at the said bank, for issue, or to any servant or agent of the said bank for delivery to the said bank for issue, and the whole responsibility for any loss or damage that may be occasioned in respect of the wrongful payment, exchange, or satisfaction, through mistake or otherwise, at or by the said bank of any Government currency notes, which ought not to be paid, exchanged, or satisfied, or of any forged or spurious notes purporting to be Government currency notes, or in respect of the forgery or alteration of any Government currency notes, or in respect of any error or mistake committed by the said bank, or by any of its officers or agents in conducting the agency aforesaid, although the same shall have been conducted under the control and inspection of the said Head Commissioner of the Issue Department, shall, as between the said Secretary of State for India in Council and the said bank, rest solely and entirely with, and shall be borne by, the said bank, who shall have no claim upon the said Secretary of State in Council, for compensation or indemnity for and in respect of any such loss.

Seventeenth.—That as and by way of remuneration to the bank for their conducting, as aforesaid, the said agency for the issue of the Government paper currency, and for cashing and converting such notes after issue, the bank shall be entitled to charge the said Secretary of State in Council with a commission, calculated at the rate of three-fourths per cent. per annum, on the daily average amount of Government currency notes outstanding and in circulation through the said agency of the bank at Calcutta, and which commission may be debited to the said Secretary of State in Council in the said banking account between the Government of India and the bank, the amount of such cost to be established (if required) to the satisfaction of the officer for the time being in charge of the said issue department.

Eighteenth.—That in case a separate office shall be provided by the said bank for the said Head Commissioner of Issue, upon the requisition of the Governor General in Council, under the 14th clause of these presents, the bank shall also be paid by the said Secretary of State in Council the cost of providing such separate office and of any especial establishment that may be provided for, and any special expense incurred by the bank in respect of the same.

Nineteenth.—That if at any time during the continuance of this agreement the said bank shall establish a branch office at any town or place other than Calcutta, and the Governor General of India in Council shall offer to the directors of the said bank for the time being, and the said Directors shall on behalf of the bank accept the business of bankers to the Government of India for the district or locality within which such branch shall be established, or the business of issuing and circulating the Government paper currency within such district or locality, then, and in every such case, the business so arranged to be taken up and performed by the said bank shall be carried on under and subject to the provisions of this agreement, and on the basis of the clauses cited in the margin, being the 3rd and 5th paragraphs of the Government memorandum of the 20th of March 1861, relating to the establishment of such branch bank, except in so far as the provision of this agreement, or of the said clauses, may be modified or altered by any special agreement which the said Secretary of State in Council, through the Governor General of India in Council, may, from time to time, enter into with the said bank in reference to the business so to be carried on at the particular branch bank."

3. As regards the establishment of branch banks, the Government will, in each Presidency, prefer dealing with the Presidency banks when the ground is unoccupied. But when other banks have been established before the Presidency Bank thinks fit to establish a branch, the Government consider that they will have a preferable claim on equal terms, and finding proper security.

5. If it be clear that the interest on the average cash balance at such place is not enough to make a fair contribution towards the expenses of the Branch Bank, the Government will give such fixed annual payment as may be agreed upon in each case, not exceeding the saving of cost to the Government at such place by the bank taking its business.

Twentieth.—That this agreement, and the powers and authorities herein contained, and the covenants hereby entered into, shall come into operation from and after a day to be

fixed by the Governor General in Council, by notification, in that behalf, which shall be published in the "Calcutta Government Gazette" within six calendar months from the date hereof, and continue for the term of five years from this date, at the expiration of which time the same shall and may, by notice, in writing, from the Governor General in Council to the Directors of the said bank for the time being, be renewed, with or without any modifications, as may be agreed on between the Governor General in Council and the said Directors.

APPENDIX (B.)

(No. 158, dated 16 September 1862.)

From the Right Honourable the Secretary of State for India to his Excellency the Right Honourable the Governor General of India in Council, Financial Department.

1. I HAVE received and considered in Council your financial letters dated the 25th March, 21st and 31st May, and 3rd July 1862, Nos. 51, 71, 80 and 99.

2. These letters, together with the previous correspondence with your Government, may, I conclude, be regarded as furnishing tolerably full information relative to your arrangements.

1st. For transferring to banks in India a considerable portion of the business hitherto transacted at the Government Treasuries; and

2ndly. For introducing a paper currency into India.

3. These subjects are totally distinct in their character, and I was most anxious to keep them altogether separate, but they have been mixed up to a considerable extent in the measures which you have adopted or proposed, and still more so in the views contained in many passages of the papers received from your Government.

4. I shall endeavour, in the observations which I have to make, to keep them as distinct as possible.

5. I will first advert to the arrangements as to the transfer of Government business to the banks.

6. I have concurred in your proposal to make use of the agency of the banks of Bengal, Madras, and Bombay, for this purpose.

7. I observed, in my Financial Despatch of the 8th April 1862, No. 55, that the remuneration which you have agreed to give them seemed to be excessive. The banks were, however, entitled to compensation for the loss of their existing circulation, and as the arrangement is made and is to last only for five years, I will make no further remark on this point.

8. You have, moreover, also conceded to them two indirect advantages:

1st. The bank is relieved from the obligation to hold one quarter of its liabilities in specie.

2nd. They are, for the first time, allowed to deal in foreign exchanges. I shall defer my observations on both of these points till after I have adverted to the currency arrangement.

9. The two important questions as regards the currency are—

1st. The principle on which the issues of paper are to be regulated; and

2nd. The agency to which the management of the issues is to be entrusted, so as to obtain the best security for the steady maintenance of the principle of issue.

10. The principle for the regulation of the issues contained in the Minute of Mr. Wilson, which was transmitted to me in a Financial Letter from the Governor General dated the 29th December 1859, No. 2, was that notes should be issued to the extent of three times the amount of the reserve of specie. This principle was disapproved in my Financial Despatch of the 26th March 1860, and I desired that what I believed to be the sound principle should be adopted, *i. e.*, that with a fixed amount of notes issued on security, all the remainder must be issued only on specie deposited with the Department of Issue. This principle was embodied in the Act, No. XIX., of 1861, "to provide for a Government Paper Currency," and has received the full approbation of Her Majesty's Government.

11. As regards the agency for the management of the currency, you have departed widely from the plans proposed by the Government of India in 1859, and which had been entirely approved by Her Majesty's Government.

12. I have seen no reason to change the opinions on this subject which were conveyed to you in my Despatch of 26th March 1860, No. 47, and in my further Despatches on the same subject. I disapprove of the manner in which you have arranged to make use of the agency of banks for the purpose of the currency, and I do not think that you have made sufficient provision for the conversion of the notes beyond Calcutta.

13. In both respects the safety and success of the measure seem to me to be endangered by your plan.

14. The proposals of Mr. Lushington and of Mr. Wilson, both of which were recommended by the Government of India, contemplated only Government agency, and this view was distinctly and repeatedly sanctioned by Her Majesty's Government.

15. In Mr. Lushington's note of April 1859, he suggested a plan for an issue of paper in
three

three or four large circles in Bengal and the Upper Provinces of India, to be managed by officers of Government.

16. In his Minute dated the 25th December 1859, Mr. Wilson expressed his conviction that the "only means" by which a note circulation could be extensively applied to India, and made a legal tender, was through the agency of the Government. He proposed that an establishment should be provided in connection with the Mint, and should consist of a currency commission at Calcutta, its functions being confined to the manufacture of notes and to the exchange of notes for coin and bullion, and that Bengal and the Upper Provinces should be divided into currency circles, with such stations as Benares, Allahabad and Delhi, as their centres, a deputy commissioner being appointed for each circle. The notes were to be dated from the centre of the circles in which they were issued, and to be payable at Calcutta as well as at the place of issue. The notes were to be legal tender, and receivable at the Government treasuries in payment of taxes.

17. Of this part of Mr. Wilson's plan the approval of Her Majesty's Government was conveyed in my Financial Despatch to the Government of India, dated the 26th March 1860, No. 47 (quoted in the margin),* and it was therein stated that the connection between the paper issues and the Mint could not be too close, or be made too apparent.

18. The report of the select committee of the Council of the Governor General on the Bill was subsequently sent home, and the Financial letter from the Government of India, dated the 8th March 1861, No. 35, forwarded a copy of the Bill as settled in committee of the whole council, together with the several Minutes of the members of the Government thereon.

19. In Mr. Laing's Minute it was stated that he considered that the best agency for issuing and paying the notes would, generally, be that of the existing banks, wherever they had establishments, or might be disposed to open branches; and that arrangements were pending for transferring to the Bank of Bengal the cash balances and part of the business hitherto transacted at the treasuries of the Government, arrangements which, he thought, might with great advantage to the Government be extended to other banks and presidencies.

20. Mr. Beadon was in favour of making use "entirely of Government agency for the issue of notes."

21. The Government of India expressed no opinion on the subject.

22. In my Financial Despatch, dated the 2nd May 1861, No. 75,† in referring to passages in the report of the committee and in the minutes of the members of your Government, I expressed very decidedly the opinion of Her Majesty's Government, that the issue of notes should be kept quite apart from any banking establishment.

23. I cannot understand how, with full knowledge of all the previous correspondence, and with the passages quoted in the margin taken in connection with that correspondence, it could be supposed that I had given any sanction to the employment of the banks as agents of the Government for the issue of the notes, or of any connection of the functions of banking and currency in one establishment.

24. I did not prohibit in as many words the employment of banks by the Government as the agents of issue, because I never supposed that such a deviation from the consistent and uniform view contained in the Despatches from and to India of the proper course to be taken in this respect would have been made before being submitted to me for my opinion and instructions.

25. It is, I believe, essential, in order to ensure an adherence to the established principle of issue, that it should not be left in the hands of a bank.

26. The sound principle of issue may be said to have been established before the Committees

* Financial Despatch to India, dated the 26th March, 1860, No. 47.

† Par. 6. Her Majesty's Government are of opinion that in India the agency for providing and maintaining a paper circulation can best be conducted by the Government.

"Par. 9. Mr. Wilson very properly separates altogether the proposal for introducing a paper circulation in India from the consideration of establishing any banking corporation there. It cannot be too generally or too clearly understood that it is the intention of Her Majesty's Government, in sanctioning the introduction of a circulation of Government paper, to keep it entirely and altogether distinct and separate from any banking operations whatever. What is to be done by the Government establishment in India, is simply what is done by the issue department of the Bank of England, viz., to exchange notes for bullion and coin, and *vice versa*, or notes of one denomination for those of another.

"Par. 10. Her Majesty's Government are of opinion that the proposed establishment of a currency commission, the members thereof to be appointed by the Governor General in Council, but not to be removable except with the concurrence of the Secretary of State, their functions to be strictly defined by an Act of the Legislature, with commissioners at Madras and Bombay, and deputy commissioners in each of the currency circles into which it is proposed that the country should be divided, is well calculated to effect the object in view. They also approve of the intimate connexion which Mr. Wilson contemplates between the Mint and the management of the paper issues, and they think that this connexion cannot be too close, or be made too apparent."

† "Par. 29. It is provided by Clause IX. that notes shall be issued by the commissioner to any person, in exchange for silver bullion or coin, at the prescribed rate, exactly, I presume, as silver coin would now be issued in exchange for bullion. I suppose that, under the arrangement proposed, the notes of the Bank of Bengal being by a given day withdrawn, Government notes will be issued to the bank as to any other person, in exchange for bullion or coin, and that the bank will then use these notes precisely as it has hitherto used its own notes; if this be what is intended, I do not see for what they are to receive a certain payment.

"Par. 37. You have provided for the creation of deputy commissioners of issue in the different Presidencies, and you have very properly given the Government the power of establishing, enlarging, and altering circles of issue in any part of India, and I see no reason why this power should not be exercised by establishing deputy commissioners of issue in large towns which you may deem to be the most suitable centres of issue.

"Par. 38. The assaying of the bullion must be done by the Mint, and I do not understand how the verification of the notes can be entrusted to any but a Government officer."

mittees of the two Houses of Parliament that sat in 1841, and was enforced by the Act of 1844.

27. The issue of notes, however, was, from a regard to existing interests and long usage, continued at the Bank of England, though in a separate department, and subjected to regulations which, if adhered to, would have maintained the recognised principle.

28. Twice, however, since 1844 the demands on the discount branch of the banking department have been such that the Government has been driven to authorise the bank to depart from the recognised principle of issue, to infringe the legal restriction, and to issue notes beyond the amount which the specie in the issue department warranted.

29. Such a demand could not have been made on a department of Government merely exchanging notes for specie and specie for notes.

30. The experience thus acquired has shown that the best, if not the only, mode of ensuring adherence to the established principle of issue is by totally separating the issue from any banking establishment.

31. It was a strong conviction of this that guided Her Majesty's Government in the measures which were sanctioned for establishing a paper currency in India, where there were no long established interests or usages in existence. They believed it to be wise to entrust to Government agency, and to Government agency alone, the issue of paper, as well as of metallic money, combining, as far as possible, both measures in the same department of Government, and to leave to banks only the exercise of legitimate banking functions.

32. That notes, however, issued, should, to a great extent, be brought into circulation through the banks always appeared to me to be the natural and inevitable course of things, and I stated as much in paragraph 41 of my Financial Despatch of the 2nd May 1861, No. 75.* I did not confine my observation to banks, but included all traders for the transaction of whose business the use of notes might afford great convenience.

33. All money, whether coin or paper, is mainly brought into circulation by the operations of traders, and principally of bankers. This would be the case more especially when there were existing banks whose power of issue was taken away. The only notes in circulation in Bengal were those of the Bank of Bengal. Those notes had, on their first issue, taken the place of coin, which would otherwise have been required for carrying on the business of the bank, and when the notes of the Bank of Bengal were withdrawn, the notes of the Government must, as a matter of course (of necessity I may almost say), take the place of the notes of the Bank of Bengal.

34. In this sense, I always contemplated that it was through the banks that paper money would, to a great extent, be brought into circulation, but this would be effected by the banks, not as agents for Government in respect of the currency, but in the exercise of their legitimate banking functions.

35. With regard to the practical arrangements for the issue of notes at Calcutta, I understand you to have provided for the issue of notes in exchange for specie at the Mint at Calcutta. I am of opinion that the office of the Commissioner of Issue, and the reserve of coin, as well as the means of verifying the notes, should be established at the Mint.

36. It is scarcely practicable to give you directions as to what precise steps should be taken, but you will distinctly understand that the principle to be acted upon is, as far as is consistent with actual engagements, to separate all connection between the bank and the issue of paper money, and ultimately to constitute the Mint the sole place at Calcutta for the issue of paper, as well as of coined money.

37. With regard to notes in other parts of the country, there would, according to your proposed arrangements, be no place but Calcutta where coin could be legally demanded for them, and as the cash balances of the Government treasuries are to be handed over to the banks, who, by a further part of your arrangement, are relieved from the necessity of holding any proportion of their liabilities in specie, it seems to me that there is no certain provision for the convertibility of the notes in places beyond Calcutta. Her Majesty's Government consider it indispensable for the success of the measure that there should exist in certain important places throughout the country the power of demanding coin for notes, and it was with a view to this object that the creation of circles was proposed.

38. Such an arrangement of circles in fact exists in England. At the branches of the Bank of England at Manchester, Bristol, Leeds, &c., notes are issued bearing the name of the place of issue, payment for which in gold may be demanded at the place where they are issued, as well as in London, but cannot be demanded at the other branches.

39. This latter provision is necessary as a protection against an unforeseen run on any one of the branches, but practically the notes issued by any one of these branches are cashed at any other, as well as in London, and the uniformity of the Bank of England currency throughout England is not affected.

40. A similar arrangement was contemplated for India in the formation of circles. It was intended that notes of the Government of India should be issued not only at Calcutta, but

* "I can quite understand, however, that the notes may be more readily brought into circulation through the medium of bankers, or, indeed, of other traders."

but at Lahore, Lucknow, and other places, as the centres of circles, similar in all respects to notes issued at Calcutta, but bearing on them the name of the place where they were issued, and for which payment in coin could only be legally demanded at the place of their issue, or at Calcutta. The Lahore or Lucknow stamp on a note would give it additional currency in its own neighbourhood, and the cases of notes being carried to distant parts of India would probably not be to a very great extent.

41. It might be possible that, in order to shake the credit of the Government for some political purposes, an extraordinary number of notes might be presented for payment at some one branch, as, for instance, at Lahore. In such a case, the power of refusing to cash a note issued elsewhere as at Lucknow would afford a protection to Government; but in all ordinary cases, a Lucknow note would be cashed at Lahore, and *vice versa*.

42. What the number of circles should be can be best decided by your Government, with the local knowledge at your command; but it does not appear how more than a very few large circles could be required.

43. I desire, therefore, that deputy Commissioners may be appointed in such large towns as you may decide upon, and be empowered to exchange notes for coin, and *vice versa*. It should not be obligatory by law for the Government officers at any one of these places to give coin for notes stamped or issued at other places, but in practice he should give it, if the coin in his possession would enable him to do so.

44. It should be obligatory, however, to give coin for all such notes at Calcutta as well as at the place of issue.

45. If, as I anticipate, the convenience of paper money shall be appreciated in India, it will be for the interest of the banks to use the notes so as to dispense with the encumbrance of large weights of silver, and with that object to obtain them from the Commissioners or Deputy Commissioners of Issue, and to keep them in circulation by cashing them in small amounts.

46. It is not by the notes being actually converted, but by general confidence in their convertibility, in case of need, and by their being receivable at all the Government treasuries, that I anticipate the notes becoming part of the ordinary circulation of the country.

47. I apprehend nothing more is necessary to ensure an uniform currency throughout the Presidency of Bengal.

48. I have no wish to make any attempt to force the circulation of notes, which attempt would assuredly and deservedly fail. I wish to afford to the people of India the convenience of a circulation of notes, and I believe that an intelligent community will be sufficiently alive to the convenience of them, to be ready to avail themselves of the advantages thus placed within their reach.

49. I must now advert to a material point in connection with the privileges conceded to the Banks of Bengal and Madras, and, I suppose, of Bombay, viz., the power of dealing in foreign exchanges.

50. It appears to Her Majesty's Government to be very objectionable to allow banks so intimately connected with the Government as these banks, and which are entrusted with the custody of the Government balances, to deal in foreign exchanges. The Bank of England does not transact business of that description, which is, in fact, not banking, but speculative commercial business.

51. By clause 5 of Act XXVII. of 1855, the Bank of Bengal was authorised, according to the instructions, and at the risk of their constituents, to remit the principal, interest, or dividends of Government securities by public or private bills, whether payable in India or not, and to do all acts necessary or proper for the purpose of making such remittances; but the power to deal in foreign exchanges was not necessary for that purpose.

52. The question of giving a power to deal in foreign exchanges to the Bank of Bengal, which is now proposed, was formerly and on different occasions considered, and that power was always withheld. It is still more objectionable to give it when, as proposed by you, the business of issue is, in a greater or less degree, connected with the business of the bank.

53. Any bank to which the balances and treasury business of the Government are to be entrusted must be restricted to legitimate banking operations, such as those transacted by the Bank of England, or by the Bank of Bengal, as heretofore constituted.

54. This precaution is indispensable, for it cannot be conceived that a failure, on the part of the bank entrusted with the business of Government, to cash a Government note or bill, or to pay any legal demand on the Government, would be held by the native community to affect only the credit of the bank. Her Majesty's Government consider that any such occurrence would inevitably be regarded as a failure on the part of the Government itself, and the utmost care must be taken to guard against the possibility of such a contingency.

55. I must desire, therefore, that you will not conclude the arrangement which you were about to make with the Bank of Agra, which deals in foreign exchanges, and Her Majesty's Government cannot sanction the concession which you have made to the Bank of Bengal of allowing it to deal in those exchanges. I have not, however, advised Her Majesty to disallow the Act IV. of 1862, which gives effect to your intention in this respect, in order to give you an opportunity of making provision for the other objects of the Act.

56. Her Majesty's Government are fully sensible of the advantages that would probably arise from the extension of banking arrangements throughout India, but they cannot see

that, in order to attain this end, it is necessary to entrust the currency business to the banks. They consider that the establishment of banks or branches in connection with Government treasury business, in large towns throughout India, will materially further this object. They believe, also, that those establishments, in the transaction of their proper banking business, will afford great facilities for the introduction of the paper circulation, as, on the other hand, the paper circulation will give great facility for the banking arrangements.

57. Mr. Wilson truly observed that his scheme of currency was not inconsistent with the establishment of a large bank like the Bank of England. It certainly appears to be preferable that the arrangements of Government should be made with one great bank, with Government directors, cognizant of all its transactions, because in that case, a certain control of Government would be exercised, through the Government directors, over all the proceedings of the bank, in its branches, as well as at Calcutta.

58. You have not stated on what ground you have relieved the bank from the necessity of holding one-fourth of its liabilities in specie. The effect of this step, taken together with the transfer to the banks of the Government balances, which were always held in specie, is to diminish the coin available for the convertibility of the notes; but as the measures for ensuring that convertibility are, in my opinion, ample, I shall not interfere with what you have done.

59. There is one other point put prominently forward in recommendation of that part of the scheme which relates to issuing notes on gold, *i.e.*, that it will effectually contribute to the introduction of a gold currency in India, on which I must make some remarks.

60. How that result is to be produced is not explained. All that can take place under this provision is that gold may be deposited with the issue department, and paper money issued thereon. The gold will remain in deposit until it is required by the public for consumption in trade, or for export. When so required, it will be taken from the issue department, and the notes taken out of circulation. In no case will the gold form part of the currency.

61. The only effect, therefore, likely to arise from that provision, if acted upon to any extent, is that the paper circulation of India will be subjected to variations which would not have occurred with a circulation of silver, and of paper based on silver.

62. The question of introducing gold into circulation in India is a very important and very difficult one, but it has nothing to do with the issue of notes on gold.

63. The difficulties are of a practical nature, arising mainly from the uncertainty of the relative value of gold and silver, which is not likely to be determined while fresh discoveries of gold are being made.

64. If, by any change in the relative value of the precious metals, the sovereign and ten silver rupees should become of equal intrinsic value, the introduction of gold would be of comparatively easy accomplishment. At present, however, Her Majesty's Government do not consider that it would be expedient to take any step with a view to that object.

65. The papers now received do not contain any explanation on a point referred to in my Financial Despatch, dated the 8th of April last, *viz.*, how it is proposed to ascertain the amount of notes kept in circulation by the agency of the bank. It is obviously easy if the bank were the only place of issue; but your scheme contemplates the possibility of issue in other ways, and I am, therefore, desirous of being informed how it is proposed to distinguish the notes kept in circulation through the different agencies. I do not understand that you contemplate allowing $\frac{1}{2}$ per cent. to any other person who may apply for notes, or, indeed, to the Bank of Bengal, for notes beyond those already issued to them and kept in circulation by them, according to the terms of your agreement with them. Any such further allowance certainly ought not to be made.

66. I am not aware of any other point which calls for remark.

67. It is unnecessary for me to give precise directions as regards Madras and Bombay, as the same reasoning and the same principles apply to those Presidencies as to Bengal. I do not quite understand in what state the arrangements are at Madras and Bombay, but Her Majesty's Government is desirous that the same course should be adopted for those Presidencies as has been pointed out for Bengal. A copy of this Despatch will be sent to the Governments of Madras and Bombay, for their guidance in this respect, and in order that they may be in possession of the views of Her Majesty's Government.

(No. 1100, dated 27th November 1866.)

From *F. S. Chapman*, Esq., Chief Secretary to the Government of Bombay, to *E. H. Lushington*, Esq., Secretary to the Government of India, Financial Department.

WITH reference to the concluding part of para. 3 of my letter, No. 1085, dated the 22nd instant, I am directed by his Excellency the Governor in Council to forward to you, for submission to the Government of India, the accompanying statement in original containing the information referred to in para. 9 of my letter, No. 987, dated the 22nd ultimo, regarding the position of the Bombay Bank.

2. Copies of the letter from the secretary and treasurer, Bank of Bombay, forwarding the above statement and of its enclosures, are also submitted.

(No. 6298, dated 24th November 1866.)

From *D. Robertson, Esq.*, Officiating Secretary and Treasurer Bombay Bank, to the Chief Secretary to Government, Financial Department.

I HAVE the honour to hand you herewith statement containing the information asked for in your letter of 24th ultimo.

I am instructed by my directors to hand you at the same time copy of a letter received by the President of the Board from the Financial Secretary to the Government of India, and copy of rules passed by the Board in March last, defining the powers of the secretary and treasurer of the bank.

My directors would respectfully beg for an early reply to my letters of 21st August and 5th September last, which contained the terms on which the bank would enter into a new agreement to conduct the treasury business of Government. They would point out that the present agreement expires in three months from this time.

(Dated 15th November 1866.)

From *E. H. Lushington, Esq.*, Secretary to the Government of India, Financial Department, to *J. L. Lushington, Esq.*, Bank of Bombay.

IN reply to your demi-official communication dated 3rd instant, I am directed to inform you that the Governor General in Council will be prepared to take into consideration the expediency of renewing the agreement with the Bank of Bombay on receipt of the information called for in July of the liabilities of the bank, and of the proposed bye-laws of the bank for the conduct of business.

The liabilities above referred to need not embrace details relating to the names, &c. of the persons concerned.

The powers of the secretary and treasurer are to be as follows :—

1. That the internal discipline of the bank is considered as being particularly the province of the secretary, but that all appointments or dismissals, or regulations of salaries, shall have the sanction of a weekly committee, two to be a quorum, and the president to be a member of all committees; this not being understood to apply to salaries under 150 rupees per mensem.

2. That the secretary has power to discount good bank bills at his discretion, making a return to the committee weekly of his transactions, and be authorised to discount mercantile bills of undoubted class up to three lakhs; any further amount to be submitted to the committee for sanction.

3. That the secretary have power to grant temporary advances to banks for short periods to the extent of five lakhs, which sum shall not be exceeded without the sanction of the weekly committee. In the case of private houses of undoubted standing and credit, constituents of the bank, an advance of two lakhs may be given, but not exceeded without sanction as above. Maximum period three months.

4. That all applications for loans and renewals be submitted to the weekly committee.

5. Purchase of Hoondies for supplying the branches to be left at the discretion of the secretary, as also the purchase and sale of bills on Calcutta or Madras; it being understood that he is to arrange so as to be able to sell and provide himself with funds to the extent of half the amount employed.

6. To have discretion to buy and sell gold or silver bullion to amount not exceeding seven lakhs; further amounts to be sanctioned by the committee.

7. Without the sanction of the Board, the secretary is not to commit the bank to any trust or assignment, but he may attend meetings with the sanction of the weekly committee, and report progress.

8. It is to be fully understood that the amounts before mentioned as limits in cases of loans, discounts, or temporary advances, are to comprise the entire uncovered or undivided liability of the bank at any one time.

The following to be laid before the board at their weekly meetings :—

Weekly state of the bank's balances at debit or credit of Banks of Bengal and Madras.

List of bills discounted and loans granted.

Applications for renewals.

List of accounts opened and closed weekly.

These rules to have effect from next Board meeting.

19 March 1866.

R. Hunnay, President.

3	Mercantile Firm	3,00,000	Bill discounted	-	23 May 1865	No security	-	7 June 1866	-	26 Aug. 1865 29 Nov. 1865 3 March 1866 17 March 1866	4,00,000	Two properties at Parell, including Flag Staff Hill.	-	6,00,000	3,00,000	None	-	6 annas per rupee.
		1,00,000	Ditto	-	24 Feb. 1865	Ditto	-	21 June 1866	-									
		4,00,000		-			-		-									
4	Financial Corporation	10,00,000	Bill discounted	-	18 Oct. 1864	No security	-	28 April 1865	-	23 Jan. 1865	-	5 Bombay Reclamation Com-pany.	-	4,37,000	49,900	4,54,000	-	12 annas per rupee.
		2,05,442	Cash credit	-	4 May 1865	Ditto	-	Open account	-		-	18 Mazagon - ditto	-				-	
		12,05,442		-			-		-		-	50 Frere ditto	-				-	
				-			-		-		-	20 New Elphinstone Company	-				-	
				-			-		-		-	25 United Victoria Company	-				-	
				-			-		-		-	20 Old Elphinstone Company	-				-	
5	Land Reclamation Co.	5,00,000	Bill discounted	-	12 Sept. 1865	No security	-	16 Dec. 1865	-	-	-	Lien over title deeds of Company's property.	-	-	-	None	-	In full.
6	Mercantile Firm	4,50,000	Bill discounted	-	24 April 1865	The shares now held.	-	23 May 1866	-	27 July 1865 22 Feb. 1866 19 March 1866	3,50,000	23 Bombay Reclamation Com-pany.	-	1,15,000	27,500	1,15,000	-	8 annas per rupee.
7	Merchant	12,83,631	Cash credit	-	30 Jan. 1864	Shares now held were lodged in security of nine lakhs of the claim.	-	9 Lakhs over- due on 1st July 1865.	-	-	-	25 Bombay Reclamation Com-pany.	-	1,25,000	30,000	1,25,000	-	5 annas per rupee.
8	Ditto	2,08,365	Cash credit	-	19 Dec. 1864	No security	-	Open account.	-	-	-	*10 Bombay Reclamation Com-pany.	-	50,000	12,000	50,000	-	4 annas per rupee.
		6,25,000	Open loan	-	28 Dec. 1864*	Ditto	-	2 July 1865	-	-	-		-				-	
		3,00,000	Fixed loan	-	15 Aug. 1864	Ditto	-	16 April 1865	-	15 Nov. 1864 16 Jan. 1865	11,33,365		-				-	
		11,33,365		-			-		-				-				-	
9	Mercantile Firm	3,63,611	Cash credit No. 1	-	14 Jan. 1865	No security	-	Open account	-	-	-	100 United Victoria Company.	-	8,50,800	2,59,200	3,80,000	-	6 annas per rupee.
		3,51,962	Cash credit No. 2	-	5 June 1865	The shares now held.	-	Ditto	-	-	-	248 Bank of Bombay, 2,800 rupees Government paper.	-				-	
		7,15,573		-			-		-		-		-				-	

* Most of the securities relating to this claim were attached by the order of the High Court. Judgment has been obtained against the Directors of the Company individually.

STATEMENT OF SUMS OVERDUE above the Amount of 3,00,000 Rupees, for which on 30th June 1866 the Bank of Bombay was in Advance, by way of Discount, Loan, &c.—continued.

Number.	Description of Debtor.	Amount of Original Claim in Rupees.	How Claim Originated.	When Claim Originated.	How Claim was originally Secured.	When Claim first became Overdue.	Dates of Renewals.	Total Amount of Claims on 30th June 1866.	Collateral Securities taken.	Par Value of the Collateral Securities.	Value of Securities at present Prices.	Liabilities to Calls in connection with Collateral Securities.	Probable Dividends in cases of Insolvent Estates.
		<i>Rs.</i>						<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>
10	Merchant	9,00,000 3,12,506	Fixed loan Overdraft	31 Aug. 1864 18 Mar. 1865	34 Back Bay shares and claim for an equal amount on an insolvent estate which will yield 4 annas dividend.	1 Dec. 1864 Open account.	-	12,12,506	<i>Shares:</i> 34 Bombay Reclamation Com- pany. 365 Asiatic Bank - 49 Ceylon Company - 10 Brunton Press Company - 50 Rutnagerry Saw Mills - 58 Bombay Coast and River Steam Navigation Company. 40 Katta Khall Tea Company - 1,201 Central Bank of India - 700 Royal Bank of India - 48 Port Canning Company - Bombay Shipping Company - Overdraft will be paid in full.	9,67,030	1,80,000	3,33,000	4 annas per rupee.
11	Ditto	90,000 97,000 5,00,000 6,87,000	Cash credit Fixed loan Fixed loan	2 July 1864 19 Dec. 1864 21 April 1865	No security Ditto - 1,348 shares Commercial Bank.	20 Mar. 1865 22 July 1865	-	- - 5,65,107	1,348 Commercial Bank of India 980 Bombay Presidency Bank 500 Indian Peninsula Bank 5 Asiatic Trading Company	6,09,000	65,000	4,35,000	2 annas per rupee.
12	Ditto	8,00,000	Cash credit	14 July 1864	No security	Open account -	-	6,75,000	Assignment of leasehold ground, known as Matapickady, situate at Mazagon, and containing 1,19,005 square yards. Mortgage of ground and erections thereon situate in the district of Mahim, and known as Matoonga, containing 287,139 square yards. Indenture of lease for 21 years from 1852, to the late Sir J. Jeejeebhoy, Bart., from the Honourable East India Company.	17,00,000	7,00,000	None	8 annas per rupee.
13	Ditto	2,00,000 4,00,000 6,00,000	Fixed loan Open loan	24 Feb. 1865 13 April 1865	No security The shares now held.	6 June 1865 Open account	{ 16 Mar. 1865 5 Apr. 1865 5 May 1865 }	- 4,80,000	{ 200 old } Elphinstone Land Company { 200 new } 11 Bank of Bombay	- 2,51,000	- 1,38,000	- 1,60,000	- 3 annas per rupee.

14	Ditto - - -	11,00,000	Fixed loan - -	31 Aug. 1864	Securities held.	now	2 Mar. 1866	1 Dec. 1864 1 July 1865 1 Dec. 1865	9,00,000	23 Bombay Reclamation Company. Share of claim for 25,80,000 rupees on Cursetjee Furdunjee's estate.	1,15,000	27,600	1,13,000	4 annas per rupee.
15	Private individuals -	5,50,000	Loan - -	11 Oct. 1864	No security	-	1 July 1865	Open account -	5,50,000	20 Bombay Reclamation Company -	1,00,000	24,000	1,00,000	1 anna per rupee.
BRANCH ADVANCES :														
16	Financial Associations -	20,000 1,00,000 1,00,000 1,00,000 1,00,000 4,20,000	Bill discounted Ditto - Ditto - Ditto - Ditto -	23 Mar. 1865 27 Mar. 1865 27 Mar. 1865 27 Mar. 1865 3 April 1865	No security Ditto - Ditto - Ditto - Ditto -	-	1 June 1865 31 May 1865 6 June 1865 7 June 1865 7 June 1865	- - - - 4,20,000	- - - - -	- - - - -	- - - - -	- - - - -	- - - - -	- - - - -
17	Shroff - - -	1,00,000 1,00,000 1,00,000 50,000	Hoondie Ditto - Ditto - Ditto -	25 Mar. 1865 27 Mar. 1865 28 Mar. 1865 29 Mar. 1865	No security Ditto - Ditto - Ditto -	-	28 June 1865 30 June 1865 1 July 1865 2 July 1865	- - - -	3,35,151	30 Bombay and Bengal S. S. Company. 1 Frere Land Reclamation Company. 300 London and Bombay Bank - 5 Kattywar Trading Company - 8 Arkwright Cotton Mill - 20 Mofussil Press Company - 3 Asiatic Trading Company - 45 Bombay Brick and Tile Company - 3 (Old) Bombay Shipping Company. 3 (New) ditto - 54 (Old) Bank of India - 36 (New) ditto - 130 Imperial Trading, &c., Company 27 Bombay Joint Stock Corporation 80 Asiatic Banking Company - 45 Shares Bank of China - 10 Shares Bombay Bonded Warehouse. 11 Bombay Landing Company - 9 Oriental Ship Company - 350 Elphinstone Financial Company	2,53,125	-	85,200	6 annas per rupee.
		3,50,000												

Bank of Bombay,
23 November 1866.

D. Maclean,
Officiating Auditor.

BANK OF BOMBAY.

RULES and REGULATIONS determining the General Powers and Responsibility of the Secretary and Treasurer.

I. THE secretary and treasurer will exercise a general superintendence and control over the entire business and of all the departments of the head office, as well as over the business conducted by the branches. But the appointment of European officers, and of the principal Native assistants, and the regulation of the salaries of the same must receive the sanction of the whole Board. Appointments under 150 rupees per mensem to be filled up by the secretary and treasurer without reference to the Board.

II. With special reference to bye-law 5, that the secretary and treasurer shall exercise his discretion, and shall have power to pass all mercantile bills presented for discount in the course of business, but that nevertheless in cases where the credit, resources, and responsibility of the obligants on bills tendered are not well known and assured, the secretary shall advise with, and submit for the instructions of, the daily committee all such bills, whether the same be in excess of or under the ordinary limit of three lakhs to individual parties or firms.

III. That if during the course of business the secretary shall deem it necessary and expedient in the exercise of his own judgment to extend the fixed limit of three lakhs of rupees on discounted bills to any party or firm, he shall specially record in the daily minute book, and bring under the notice of the daily committee the particulars of such excess.

IV. That the limits of discounted bills beyond three lakhs bearing the endorsement or acceptance of local banking companies be specially fixed from time to time by the whole Board; the secretary and treasurer having a discretionary power in exceptional cases, and when the credit of the bank and that of the co-obligant is undoubted, to exceed such limits to any reasonable extent, and to record and specially report such exceptional advances to the daily committee of the following morning, and bring up the record of all such advances in excess of limits to the weekly meeting.

V. That section 8 of bye-laws be strictly carried out in every instance, unless the temporary advance shall be on the deposit of Government, or other securities permissible under the charter, and duly approved by the whole Board; and that no advance by way of overdraft be made on any other collateral security whatever, without the written sanction of the daily committee.

VI. That the secretary and treasurer shall in his discretion, and subject to the conditions and margins fixed weekly by the Board, pass such loans under stamped bonds, on the deposit of Government securities, gold or silver bullion, railway shares bearing the guarantee of Government, as the available resources of the bank may, in his judgment, warrant. Applications for exceptionally high sums, say above seven lakhs, to be submitted to the daily committee, or, in cases of emergency, to be approved by the President. That loans on opium in bonded warehouses, duly insured, and on goods, wares, and merchandise, not of a perishable kind, be granted after valuation by competent valuers and examination of the local price current by deputy secretary, on the margins prescribed by the Board, at the discretion of the secretary. That the amount of remittances in specie or Hoondees for the requirements of the branches, as well as the purchase and sale of bills on Calcutta or Madras, be left to the discretion of the secretary, it being an instruction that the amount and particulars of all such remittances, purchases, and sales be duly recorded from day to day in the minute-book of the daily committee, and set forth in the broadsheets hereinafter referred to under Form No. 1.

VII. That in no case whatever without the sanction of the Board, recorded in the weekly proceedings, shall the secretary commit the bank to, or accede to any trust, assignment, deed of discharge, or other obligation connected with insolvent or bankrupt estates; but he may attend meetings of creditors with the sanction of the daily committee, and report progress to the whole Board.

VIII. That in order fully to carry out these instructions, the secretary and treasurer shall, with his own hand, record in the proceedings of the daily committee an abstract of the advances and payments of the preceding day, showing daily increase or decrease on bills, whether local or inland, on loans and advances generally, together with particulars of such bills, loans, or other advances as he may refer and submit to the committee, as well as all references from the branches requiring to be dealt with at once and not disposed of by the secretary himself. In the case of bills and loans referred to the daily committee, the secretary and treasurer will narrate in detail, on the page opposite each application, the full amount of existing obligations of applicant, whether in indorsements, acceptances, or loans, with such information as he may possess regarding the responsibility, standing, and resources of each co-obligant, for the guidance and information of the committee in disposing of such applications. Each day's proceedings to be signed by the directors in attendance.

IX. That

IX. That along with the minute book there shall be brought up and laid before the daily committee—

(1.) The clean cash book, containing the entire transactions of the previous day, with particulars in detail of bills paid and discounted, whether local or inland; loans granted and paid; protested bills and branch entries; with other entries at length, except current and cash accounts, and the transactions with the general treasury, which may be given in abstract on sheets apart certified by chief accountant.

(2.) Bill book, containing full particulars of local and inland bills discounted from day to day.

(3.) Discount ledger posted up to date.

(4.) Book containing credit balances of local banks.

(5.) Particulars of daily receipts and payments on account of Her Majesty's Treasury.

(6.) Particulars of daily cash balance of preceding day, and whether in coin or notes, showing, (1st), Available balance after deducting one-third for claims payable on demand; (2nd), Particulars of bills falling due and claimable of date.

(7.) Book showing in detail daily balances Dr. on accounts current made up to date.

(8.) Protested bill book written up to date.

(9.) BROADSHEETS, in Form No. 1, brought up so as to include the transactions at the close of the preceding day, and exhibit at a glance the fluctuations in the assets and liabilities of the bank from day to day, over a period of one month.

Weekly Board.

After confirmation of last week's minutes and any special minutes in circulation during the week, the secretary and treasurer shall read Form No. 2, showing increase or decrease of the advances and liabilities at head office.

He shall also read—

A comparative abstract with the previous week of the assets and liabilities, embracing both the head office and branches.

A statement of rates ruling during the week in the bazar, the latest rates in Calcutta and Madras, and of the general tone of the money market in Bombay and at the branches, with memorandum of rates for sterling exchange.

A detailed list of private individuals or firms having advances, or being obligants, on bills discounted in excess of three lakhs, and of banks in excess of authorised limits.

And cause to be laid on the directors' table against the hour of meeting the following books and returns:—

Minute book of daily committee.

Book of daily balances of local banks.

Bills discounted book.

Secretary's memorandum of daily cash balances.

Daily balances of accounts current and credit accounts.

Abstract of same, distinguishing banks, government, public, and private.

Weekly abstract of silver payments and receipts No. 2, No. 3, No. 4, No. 5.

Abstracted form of the total liabilities of local banks, including acceptances, endorsements, and loans. No. .

Daily list of overdrawn accounts, with names, designations, and amounts.

Statement of the assets and liabilities of the bank for the week ending on the preceding Tuesday, certified by the secretary and treasurer.

Weekly abstract of the public debt held in Bombay, compiled from the general ledger of the Public Debt Office.

Record of Bank of Bombay notes outstanding.

After the directors shall have fixed the rates and margins, the secretary and treasurer will bring forward the ordinary business to be disposed of by the Board.

Supervision of Branches.

The secretary and treasurer shall bring up and submit to the daily committee, on one day in each week, the weekly statements in detail of the whole transactions and relative abstract of each branch for preceding week.—Book of daily rates at each branch, showing rate per cent. per annum at which bills can be purchased on the chief cities in India, with local rates for sovereigns and bar gold.—Special list of overdrafts at each branch from week to week, with names and designations and securities held for each sum overdrawn.—Abstract book compiled after Form No. , showing weekly particulars of advances and deposits at each branch.—Collected abstract of same in parallel columns.

The secretary and treasurer shall also cause to be laid on the table the quarterly returns of each branch as periodically rendered, and the book of instructions containing record of orders sent to each branch from day to day by the secretary and treasurer.

General Instructions.

That the secretary and treasurer shall, in addition to written instructions, give orders to the heads of departments in all matters referred to him by them in the ordinary course of the daily business, and sign letters prepared under his orders by the heads of departments and subordinate officers.

That the duty of signing bank and treasury receipts or drafts, dividend warrants of the bank and public debt, advices, post bills, letters of credit, and endorsing securities, may be devolved on the deputy secretary or officer next to the secretary in position in the office, who will also relieve the secretary of the duties connected with the comparison and completion of records appertaining to the custody and delivery of notes or coin for daily requirements.

The duties of the secretary and treasurer in preparing special returns connected with the tone of business at head office and the branches, and with the obligations of parties having advances, whose position may become doubtful, in drawing up the half-yearly reports, in giving audience to the bank's constitutents, and in various other ways, are so numerous that they cannot be defined in any code of general instructions, but must mainly depend on the ability and tact of the officer appointed. As a rule, however, to be strictly observed, complete information regarding every class of advances, and the working of every department of the head office, as well as on the business of each branch, must at all times be accessible to, and when deemed in excess or irregular by the secretary, be brought by him prominently under the notice of the daily committee and, if necessary, of the whole Board.

(No. 99.—Government of India.—Financial Department.—Accounts.)

To the Chief Secretary to the Government of Bombay.

Sir,

Fort William, 9 January 1867.

I AM directed to acknowledge the receipt of your letter, No. 1100, dated 27th November 1866, forwarding in original the statement of the advances of the Bank of Bombay, and also copies of the correspondence connected therewith.

2. The reply I am now desired to make will embrace two subjects:—

First, the views of the Government of India on the present position of the bank, as disclosed in the original statement above noticed.

Secondly, the modifications of present agreement which the Government of India are prepared to concede and to require, previous to its adoption, with reference to your letter, No. 1085, dated 22nd November, and the enclosures therein specified.

3. With regard to the statement of advances which has been so long and repeatedly called for by this Government, I am desired to observe in the first place that, as recorded in the heading, it is a statement of sums overdue above the amount of three lakhs, for which, on the 30th June 1866, the Bank of Bombay was in advance by way of discount, loan or otherwise, exclusive of loans on deposit (to the full value) of Government paper or guaranteed railway scrip, or imperishable goods.

4. This statement cannot therefore be received as containing a full and complete account of the bank's position in regard to its advances, inasmuch as there may be many sums for which the bank is under advance below three lakhs of rupees on which the bank may stand to lose as much in proportion as on larger amounts, and the aggregate of which may amount to a large sum. Reviewing, however, the figures in the statement now under notice, the following results appear:—

	<i>Rs.</i>
Original amount of advances - - - - -	1,30,13,517
Amount of advances on 30th June 1866 - - - - -	1,19,31,775
Par value of collateral securities - - - - -	84,91,413
Value of securities at present prices - - - - -	21,38,200
Liabilities to calls in connection with collateral securities - - - - -	30,75,200

At a rough calculation the par value of the collateral securities represents not much above half of the amount originally advanced. If the securities should be sold at the price estimated in the statement, the bank's losses would be nearly a million. If, on the other hand, the securities should be retained in the hope of an improved state of things, and the result should be, instead of an improvement, a permanent depreciation of stock followed up either by the ultimate dissolution of the companies, or by a demand for calls which the bank would have to meet, their losses would be in excess of half their capital.

5. The Governor General in Council, therefore, after giving his anxious consideration to the present circumstances of the bank, cannot consent to the renewal of any agreement with the bank for a longer period than one year from the date of the expiration of the present agreement. And a renewal for this limited period even must be contingent on the conditions laid down in the 2nd paragraph of your letter of the 22nd November, viz., "that provided

provided a statement that will be called for at the end of December next does not disclose a more unfavourable estimate of the losses sustained by the bank than that* recently arrived at by the Special Committee, and provided that the resolution for reducing the nominal capital in accord with actual assets proposed at the meeting held on the 12th ultimo, is confirmed by that to be assembled on 15th January next."

6. In regard to the details of the agreement, I am desired to observe as follows:—

7. The several proposals of the Government, and the modifications desired by the directors, are set forth in the Bank of Bombay letters to your address, No. 972-1866, dated 21st August 1866, and No. 1035-1866, dated 5th September.

8. Proposals Nos. I. and II. need no discussion, as the term of the present agreement authorizing the employment of the agency of the Bank of Bombay for the issue and circulation of currency notes will expire in two months from the present time.

9. Proposal III. was to have an average annual balance of 40 lakhs, this balance not to include copper money packed for remittance, nor any separate account of public officers apart from Government account.

10. The bank desire that the present maximum and minimum balances of 40 and 30 lakhs of rupees respectively be continued in the new agreement, and that the daily balance be taken, and not the average balance, with reference to the charge of interest in the event of the balances falling below 30 lakhs of rupees.

11. The Governor General in Council cannot consent to this proposed modification, which would put the Bombay Bank on a more advantageous footing than the Banks of Bengal and Madras. His Excellency in Council is, however, prepared so far to concede to the wishes of the directors, as to fix the minimum at 25 instead of 20 lakhs, not including copper money packed for remittance, nor any separate accounts of public officers apart from Government account.

12. With regard to interest, his Excellency in Council is prepared to allow the Bank of Bombay the same terms as have been accepted by the Bank of Bengal, viz., to allow interest on the difference between the amount of the actual Government cash balance of the day and the sum of 25 lakhs of rupees, such interest to be reckoned at the lowest rate charged by the Bombay Bank to the public on the day on which the difference may exist.

13. Proposals IV. and V. need no remark, the bank having unreservedly accepted them.

14. Proposal VI. The Government having consented to modify proposal No. III. by enlarging the minimum balance, it is presumed that no objection will be pressed as to the inadequacy of the payment of 12,240 rupees for establishment.

15. Proposal VII. relates to the management of the public debt. The Governor General in Council is unable to offer any additional sum over 4,000 rupees per crore of the portion of the debt payable in the Bombay Presidency. This sum was fixed after communication with the Secretary of State; and with reference to the remarks made by the bank as to the cost of the establishment employed by the Government on this particular duty, I am desired to point out that this cannot be accepted as a sufficient argument for any increase, since the business of the public debt on this side of India is now conducted by the Bank of Bengal as efficiently and as expeditiously as heretofore, at less cost to the bank than that which used to be incurred by the Government of India.

16. Proposal VIII. fixed the term of the new agreement to seven years from the 1st March 1867.

17. For reasons stated in the fifth paragraph of this letter, the Government have been compelled to decline renewing the contract for a longer period than one year.

18. Passing on from the details of the new agreement to the bye-laws, I am instructed to remark that the bye-laws, as they now stand, have not the approval of the Governor General in Council.

19. It would appear that, under the terms of the 3rd rule, the secretary is to have the power of "granting temporary advances to banks for short periods to the extent of five lakhs," and that in the case of private houses of undoubted standing and credit constituents of the bank, an advance of two lakhs may be given. Further on in the 8th paragraph, it is stated that it is to be fully understood that the amounts before mentioned as limits in cases of loans, discounts or temporary advances, are to comprise the entire uncovered or undivided liability of the bank at any one time.

20. In the Bank of Bengal no loans or advances, save to the Presidency Banks at Madras and Bombay, are ever granted without being properly covered. This is the only safe rule to be observed, and one of sufficient importance to render the continuance of any agreement

* Submitted to the Government of India, with confidential letter, dated 19th September 1866, No. 892.

agreement between the Bank of Bombay and the Government contingent on the introduction of a similar rule in Bombay.

21. Besides the above important defect in the rules proposed by the bank for defining their secretary's powers, they appear to be otherwise vague and objectionable, and in this view they have been carefully revised and are herewith forwarded in an amended form for the Directors' consideration. The revised rules have been modelled on the rules and bye-laws in force in the Bank of Bengal, and his Excellency in Council is of opinion that very great advantage would result if the Directors of the Bank of Bombay were to regulate their rules, forms, and proceedings on the model of those in use in the Bank of Bengal. A copy of the several forms, bye-laws, &c., is appended. It may probably appear difficult to have all the daily books and returns written up as prescribed, but they are all so done in the Bank of Bengal, where the daily "turn over," exclusive of the Public Debt Office, averages upwards of one million sterling.

I have, &c.

(signed) *E. H. Lushington*,
Secretary to the Government of India.

(Financial Department.—No. 3 of 1867.)

To Her Majesty's Principal Secretary of State for India in Council, London.

My Lord,

Bombay Castle, 1 March 1867.

* Dated 31 January
1867.

WE have the honour to acknowledge the receipt of your Lordship's Despatch, No. 136, dated the 17th December 1866, with enclosure, and to forward for your information the accompanying copy of a letter* from Mr. A. D. Robertson, late Chief Secretary to Government, in the Financial Department, on the subject of paragraph 8 of your Despatch (No. 290) to the Government of India, relative to the circumstances attending the insertion of the words "or other public companies" in clause 32 of Bombay Act X. of 1863.

† Already printed,
vide page 64.

2. We beg to enclose a copy of the summary† referred to in Mr. Robertson's letter, a copy of which has already been submitted to the Government of India.

We have, &c.

(signed) *H. B. E. Frere.*
R. Napier.
B. H. Ellis.
C. J. Erskine.

To the Chief Secretary to Government, Bombay.

Sir,

Paragraph 8, of
Despatch No. 290,
dated 17 December
1866.

I HAVE the honour to acknowledge the receipt of Mr. Under Secretary King's letter, No. 77, dated 21st instant, and to state that I have, in accordance with instructions therein conveyed, referred to the records of the Financial and Legislative Departments of the Secretariat with the view of ascertaining the circumstances attending the insertion of the words "or other public companies" at the end of clause 1 of section 32 of Bombay Act X. of 1863, the Act for the reincorporation and reconstitution of the Bank of Bombay, and I would respectfully beg leave to suggest that a copy of the printed summary showing what passed at the revision of the Bank's Charter, and which appears to have been drawn up last year in the Financial Department, should be forwarded to Her Majesty's Principal Secretary of State for India, if this has not already been done, with reference to the extract from the Despatch as per margin sent to me, as it gives a complete as well as accurate account of the whole of the correspondence and of the proceedings of Government in connection with the subject.

2. From the summary it will be perceived that the draft of the Bill was entirely settled in the Financial Department, and was transferred to the Legislative Department with a view only to its being introduced into the Council for making Laws and Regulations, and it does not seem to have been considered necessary to further discuss its provisions in that department.

Vide Paragraphs
20, 21, 25, 32, 36,
and 37.

3. The draft was originally drawn up by the solicitors to the bank, and was then submitted by this Government to its law officers; and after having been approved of by the Acting Advocate General, subject to the observations which are quoted in paragraph 40 of the

the summary, it was forwarded, under date the 19th March 1862, to the Government of India, who communicated their approval of it on the 5th April following, subject to the observations quoted in paragraph 45. Paragraph 44.

4. Subsequently, under date the 12th May 1862, copy of the draft was forwarded to Her Majesty's Principal Secretary of State for India, with a request that if he desired any modifications to be made in its provisions he would communicate them, and it was not until the 26th January 1863, or eight months after the draft had been submitted to the Secretary of State, that it was transferred to the Judicial Department for the purpose of being brought forward at the next meeting of the Legislative Council. Paragraph 46.
Paragraph 58.

5. I had the honour to have charge of the bill before the Council, but in moving the first reading of it I did not, I must say, consider it requisite to institute any comparison between it and the bills granting fresh charters to the Banks of Bengal and Madras; all that it seemed to me necessary to do was to point out the principal changes which, as compared with the Old Charter, the bill proposed to effect. Paragraph 59.

6. On remarking on section 31 of the draft, which corresponds with section 32 of the bill as finally passed, I did not, however, make special allusion to the words referred to in the extract from the despatch in question, and I may state, from my knowledge as well as from my recollection of what took place both while the draft was under consideration and while the bill was before the council, that these words did not attract attention on the part of any one. There is no doubt, I think, that they crept into the bill simply in consequence of the phraseology of the English Joint Stock Company's Act having been followed in the preparation of the draft. Paragraph 59.
Paragraph 53.

7. It will be observed from paragraphs 52 and 54 of the Summary that I had the honour of suggesting that the wording of the Act for the Bank of Bengal should be adopted in preference, but, for the reasons stated in paragraphs 53 and 56, that suggestion was not acted upon, which, of course, it is now to be regretted was not done.

I have, &c.

(signed) *A. D. Robertson,*
Bombay Civil Service.

Bombay, 31 January 1867.

(No. 89 of 1867.—Government of India.—Financial Department.—Accounts.)

To the Right Honourable the Secretary of State for India.

My Lord,

Fort William, 20 March 1867.

IN continuation of our Financial Despatch, No. 27, dated the 19th January last, in paragraph 2 of which we stated that the inquiry made in Lord Cranborne's Despatch, No 290, dated 17th December 1866, relative to the circumstances attending the insertion of the words "or other public companies," in clause 32 of Bombay Act X. of 1863, would be separately answered, we have the honour to refer you to the despatch to your address from the Government of Bombay, No. 3, dated the 1st March 1867, and its enclosure, copy of which has been furnished to us by that Government.

2. It is to be regretted that the legal advisers of the Bombay Government, instead of adhering to the wording of the Charter Act of the Bank of Bengal, should have gone out of the way to follow the Joint Stock Companies Act, the provisions of which are not suitable to the regulation of the business of a bank in immediate connection with the Government.

3. The bill was originally submitted direct by the Government of Bombay to this Department for approval in 1862, when this important departure from the Charter Act of the Bank of Bengal appears to have escaped notice. The Bill remained pending for upwards of a year, when it finally obtained the assent of the Governor General without reference to this Department. Measures have been taken to prevent the recurrence of such a miscarriage in future.

We have, &c.

(signed) *John Lawrence.*
W. Mansfield.
H. S. Maine.
W. Grey.
G. N. Taylor.
W. N. Massey.
H. M. Durand.

(No. 93 of 1867.—Government of India.—Financial Department.—Accounts.)

To the Right Honourable the Secretary of State for India.

Sir,

Fort William, 23 March 1867.

WITH reference to our telegram of the 20th instant, intimating that the telegram sent by the Bank of Bengal to the "Times" newspaper, relative to the proposed incorporation of the Bank of Bombay with the Bank of Bengal, went with our concurrence and approval, we have the honor to forward for your information a copy of the correspondence that has taken place on the subject. We will defer the expression of our views until we are in possession of the terms which may be mutually agreed upon between the two Banks of Bombay and Bengal, and of the proposals which may be made by the united Bank for the future transaction of the Government business.

We have, &c.

(signed) *John Lawrence.*
H. S. Maine.
W. Grey.
G. N. Taylor.
W. N. Massey.
H. M. Durand.

(Dated 19 March 1867.)

From *G. Dickson*, Esq., Secretary and Treasurer, Bank of Bengal, to the Secretary to Government of India.—Financial Department.

By order of the Directors, I have the honor to enclose copy telegrams and correspondence with the Bank of Bombay regarding the proposal to incorporate it with the Bank of Bengal. With the sanction of His Excellency the Viceroy and Governor General in Council, who has already in general terms expressed an opinion favourable to the fusion of the two banks, I am to state that arrangements to that end will be pressed forward.

The Directors trust that the proposed arrangements set forth in the enclosures will at once meet with the full approval of Government, as the interests of the shareholders in the Bank of Bombay are in serious jeopardy, and can apparently be rescued only by carrying into effect the proposed measures of relief, which the Directors of the Bank of Bombay have already generally approved.

ENCLOSURES.

1. Copy Minute by Secretary and Treasurer, dated 1st March, adopted by the Directors.
2. Copy Letter of 7th instant to Bank of Bombay, transmitting same for consideration.
3. Copy Telegram, dated 14th instant, from Bank of Bombay, in reply to letter of 7th.
4. Copy Telegram, dated 16th instant, from Bank of Bombay, intimating that official reply to bank's proposal had been posted on that date.
5. Copy Telegram, in cipher dated 16th instant, from President of Bank of Bombay to President of Bank of Bengal.
6. Copy Telegram agreed on yesterday at a special meeting of the Directors of Bank of Bengal, and ordered to be transmitted through the Bank of Bombay, for publication in England, with the view of making known to English shareholders the probability of additional capital being called up.
7. Copy Telegram of 18th to Bank of Bombay, in reply to cipher message of 16th instant.

No. I.

(Dated 1 March 1867.)

From *G. Dickson*, Esq., Secretary and Treasurer, Bank of Bengal, to the Directors of the Bank of Bengal.

RELATIVE to letter of 27th ultimo, from the Honourable David Cowie, with enclosure from Mr. Rustonjee Jamsetjee Jeejeebhoy, urging the establishment of a branch of this bank in

in Bombay, I have now the honour in conformity with your directions to embody in this form, the memoranda which I submitted as part of your yesterday's proceedings.

The extension of the bank's operations to the Bombay Presidency, which is now urged for adoption, in consequence of the untoward position of the Bank of Bombay, must be viewed in two aspects.

First.—In the aspect of opening a branch in Bombay, and confining operations to the city alone, together with the probable effect of such action by the Bank of Bengal on the position of the Bank of Bombay, and the interests of its shareholders.

Second.—In the broader aspect of fusing the three Presidency Banks and creating one great bank for India, with the active control in Calcutta, in the sense of its being the seat of the Supreme Government.

Assuming, by reason of the embarrassed position of the Bank of Bombay, that it is not equal to meet the monetary requirements of that Presidency, and that you should resolve to occupy the field in consequence, the first question to be solved, is whether under the existing Charter it is competent to do so.

By the 36th section it is declared that it shall be lawful for the Directors with the sanction of the Governor General in Council, from time to time, to form business agencies, and to establish branch banks "at such places as they may deem advantageous to the interests of the bank." It moreover provides for the conduct and transaction by such branches of the business of the local Government treasuries, as well as for the management of the paper currency, at present in abeyance.

By section 6, power is given to call up capital to the extent of three crores in all, or 80 lakhs, in addition to the amount already paid.

Thus then it is apparent that the occupancy of Bombay is not only competent, but that under the existing charter you can provide the necessary capital.

I am, however, clearly of opinion that such action on the part of this bank would infallibly end in the total collapse of the Bank of Bombay. Its connection with Government is limited to one year, and as public confidence is undeniably gone, I fear that there exists no propable hope of extrication from their present embarrassments, but almost the certainty of a tedious and costly wind up, should these relations be terminated on the expiry of the year. Meanwhile their ordinary business would be filtered away to the bank's agency, or other banking institutions in Bombay. To the shareholders such a result would inevitably be disastrous. I say so with all the more confidence and freedom, because it is too well known that the value of their remaining capital depends, to a large extent, on the realization of the assets of insolvent estates, while the liability for impending calls on the shares of joint stock companies, held in the bank's name, or in the names of its accredited officers, is not yet, I believe, clearly defined, nor ascertained with exactitude.

With such complications before you, I submit that it is more expedient to consider the question in its broader and more extended aspect, with the view of conciliating and conserving not only existing interests, but of establishing one great central bank for all India, by abolishing the distinctive names of the several banks, and so merging them all into one, under a new Charter and a new name.

Before, however, discussing this alternative measure, and seeing that immediate action has become necessary, I submit for consideration, that the Bank of Bombay should be approached with a proposal to the effect, that pending the maturing of legislation in connection with the new Charter, a *provisional agreement* be entered into between the two banks, by which certain privileges should be conceded to the shareholders of the bank of Bombay immediately and prospectively, on the same footing as those to be enjoyed by the shareholders of the banks of Bengal and Madras.

Should the proposal be entertained, and the field left open in an amicable spirit, I submit that the Bank of Bengal should immediately call up the remaining portion of its capital, and allot the whole, rateably, among its own shareholders, at a premium of 25 per cent., i.e. rating each share of 1,000 rupees at 1,250 rupees, or the full share of 4,000 rupees at 5,000 rupees; thus, according to the present market rate, giving a bonus or surplus on the single share of 500 rupees, and 2,000 rupees on the full share. This effected, a whole crore is placed at your disposal for taking up the business of the Bank of Bombay, in that city at least. Meanwhile the remanent branches,* eleven in number, could be dealt with according to circumstances, by being carried on along with the addition of the treasury business, (never yet conceded to them by Government) should the disclosure of the position, progress, and future prospects of each, warrant their prolonged existence.

The present premises in Bombay, at Kurrachee, and the other branches might be taken over, either on the valuation of parties mutually chosen or on lease. Sufficient accommodation would be reserved for affording every facility for the realisation of their outstanding assets by the bank of Bombay.

On such realisation being effected, or at fixed and progressive dates, I would propose under the agreement, to allot to the shareholders of the bank of Bombay, for the time being, a crore† of capital, at the same rate as that charged to the proprietors of this bank, on the call of 80 lakhs, viz., 25 per cent. premium. That is to say, for 125 lakhs they will receive at present prices 175 lakhs of marketable stock. Nor is it too much, I apprehend, to assume that the proposal now made, if carried out in its integrity, with the sanction of Government, will greatly enhance existing prices. I think a limit of 2,000 rupees for each single share may reasonably be calculated on. Thus then, the two banks, when so united,

N.B.—Confirmed by Mr. Advocate General Cowie, when case submitted regarding Bank of Bombay opening at Jubbulpore and Nagpore.

* N.B.—Nine branches withdrawn.

† Nearly their existing capital, which is given at 104 lakhs.

would have a paid-up capital of four crores, and a reserve fund of nearly sixty-five lakhs, a sum, in my judgment, by no means excessive nor larger than what the bank so constituted ought to hold in relation to its paid-up capital, so as to provide for possible and unforeseen contingencies.

There remains then only the Bank of Madras to be dealt with. It is not necessary that any great pressure should be brought to bear upon them towards forming a junction with the United Bank. They might, however, have it in their option to do so on conditions of all but equality with the Bank of Bengal, seeing that the market value of their stock stands relatively to our own as 150 to 175. Provision has been made under their new Charter to extend their capital from fifty-six lakhs to one crore. This being so, and in contemplation of their business being extended to Ceylon, it is probable that the full amount permissible will ere long be called up. Assuming such to be the case, and bearing in mind that the capital of the United Bank otherwise is four crores, with a reserve of say sixty-five lakhs, the fair and rateable proportion which Madras ought to contribute to the reserve fund, along with transfer of *guaranteed assets*, may fairly be taken at fifteen lakhs; thus bringing up the total capital to five crores, and the reserve fund to eighty lakhs. A moment's reflection will show that this proposal is both equitable and reasonable. If the additional capital of forty-four lakhs is called up and divided among the shareholders of the bank of Madras, on the same terms as those on which the bank proposes to allot the eighty lakhs to our own proprietors, then they realise eleven lakhs; which, added to their existing reserve of say five lakhs, gives them sixteen lakhs, or one lakh more than the rateable amount proposed to be contributed to the common reserve fund.

Into details of management or minor conditions on which the business of the then United Bank should be carried on, it is not necessary to enter at present. One or two points may, however, be shortly noticed.

The nominal capital under the new Charter should be ten crores—one-half being paid up,

Local Boards would be continued as at present in Bombay and Madras, but the supreme control and the rules and regulations for the conduct of the business must rest in, and be laid down by the Board in Calcutta, *i.e.*, that the same rules and conditions under which business is carried on here, must be strictly adhered to and be conformed to by Bombay and Madras; and that power to enforce their due observance be specially reserved.

As already observed, Madras may possibly raise objections. I think it would be for the interest of the shareholders of that institution to fall in with the proposal. If, however, they should be of a different opinion, their refusal will in no way affect the carrying out of the proposal as regards Bengal and Bombay. In time Madras must follow.

There are only two points, then, in the proposed fusion of the banks on which for a moment I dwell, and to which I deem it necessary to call your special attention.

In dealing with the Bank of Bombay, I stipulate as the radical and indispensable condition of union or absorption, that this bank takes over from them nothing but CASH towards payment of its quota of capital, at such periods as they themselves may elect. Their deposits and legitimate business will follow as a matter of course.

In carrying through negotiations with the Bank of Madras, on the other hand, I not only propose to take over capital, but also their entire existing business, exclusive of past due or irregular advances, on the simple guarantee of the bank itself.

Should Bombay decline these overtures, which I scarcely think they will do, then of course it remains with Government and yourselves to consider whether it is desirable or politic that the present chronic state of distrust and embarrassment should any longer be tolerated on the other side.

If Government and the directors should, in the last resort, resolve to comply with the wishes of a friendly section of the Bombay community, I will be prepared to carry out your instructions, and on very short notice organise a competent staff to commence operations by opening a branch in Bombay.

Having thus dealt with the more practical portion of the question in both its aspects as set forth in the early portion of this Minute, I deem it necessary, in continuation, to advert as shortly as possible to its consideration in a public point of view, and why it humbly appears to me that in the interests of Government, the bank, and the public, it is desirable to have one strong bank for India. First of all, however, it may be well to state that we have at home a class of political economists, who hold the theory that in currency and banking legislation it is sounder policy so to frame the laws as to encourage the distribution of the banking reserves of a country among several banks, instead of holding them in a single bank. It is not improbable that some people, reasoning by analogy, and holding in principle similar views, may propound them in India, while others who care little about the principle will, from interested and factious considerations, join again, as they have done before, in decrying the bank.

The question of rival establishments first assumed a practical shape in 1865, when a commission was appointed by the French Government to inquire into the constitution of the Bank of France, and to report whether there should be another and great rival bank of issue to that institution.

The Bank of France, in a stricter sense than the Bank of England, has a monopoly of banking throughout the empire, and of the paper circulation, which is unrestrained by legislative enactments, and which, moreover, the bank itself issues and is bound to protect.

The Bank of England, in like manner, issues its own notes and protects their convertibility, but the law defines the proportion of securities and bullion which must be held against the paper circulation, and separates the issue from the banking department. But the

the Bank of England, in respect of the legal fetters imposed, and that it pays to Government a large proportion of the profits arising from the paper currency, may in a sense be looked on rather as the agents of Government for doing the retail work connected with the paper currency, than the pure issuer of its own notes. Both banks have not a few exclusive privileges; some of those of the Bank of England are of an enduring nature, while as bankers to Government their agreement extends to twenty-five years certain. Both banks are the two great reservoirs in which the banking reserves of both nations are held.

The Commission of the French Government, after taking evidence from the ablest financiers, and some of the more notable political economists in France and England, have reported against the proposed creation of another rival bank in that country, and I venture, it may be with great presumption, to doubt if the moneyed classes, including the representatives of the London and provincial banks, will in 1867 gainsay the evidence which they gave in 1848 and 1858 in favour of the constitution of the Bank of England, so far at least as the banking department is concerned.

The only countries, so far as I know, where there is a semblance of proof to support the theory, are America and Canada. As regards the former I have to remark that prior to 1861 banking and currency were entirely free, resulting, as we all know, in great public injury, bad faith, and bankrupt corporations. In 1861 Mr. Chase, the then Secretary of State, succeeded in raising forty-four millions out of the one hundred and nine millions requisite for the financial wants of that year. Of the amount so raised thirty-three millions, or 75 per cent., was taken by the banks of the Federal States, but they were too poor to continue the process, because both their capital and deposits were perfectly inadequate to the demands of Government. The English market was tried without success, and American capitalists could afford no further assistance. In this dilemma the expedient was fallen upon of practically confiscating the note circulation of the whole of the banks; the legal tender greenbacks were forced upon the country, and thus a new loan of a large amount was raised. Of the extraordinary depreciation in the value of the paper and the enhancement of gold measured in greenbacks which followed, I need not remind you; but it yet remains to be seen whether the compulsory measure resorted to in time of war, and which requires the fifty-nine banks to hold their reserves in notes, not convertible into gold, but receivable for taxes, is likely to prove successful or beneficial to the country. The last return quoted by the "Economist" of 25th August last shows that only

£. 1,700,818 in gold with

£. 16,168,102 legal tender notes of the State,

or a total of 17,868,920*L.*, was held against upwards of forty millions of deposits and something over five millions of the note circulation of the banks, the residue of former issues.

Eschewing the doubtful policy adopted by America, the Government of Canada, although it abolished the privilege of issue enjoyed by the several banks, and took the paper issues into its own hands, yet deemed it fair to afford liberal compensation to the several banks, and entrusted the management of the paper currency to the largest bank in the provinces, viz., the Bank of Montreal, at an annual charge not exceeding *one per cent.* on the average amount actually in circulation.

N.B.—Bank of Bengal commission only $\frac{1}{4}$ per cent.

Unlike the Governments of England, France, and Canada, but in some degree pursuing a policy akin to that of America, the Government of India has taken the right of issue as well as the management of the paper currency of India to itself.

Assuming, then, that the theory under review is in itself sound, and can be successfully carried into practice by the Government of India, I observe that the separation of currency from banking cannot be more complete in any country.

All exclusive privileges have been taken from the Presidency banks, which are simply bankers to Government in the same way as they are bankers to the merchants and local banking institutions in the several Presidencies. There is, however, this important distinction that, under a terminable agreement and certain penalties, Government covenants to keep a minimum floating balance at their credit with the several banks. Otherwise, and for services performed, the relations of Government with the banks are intimate, and, I add, are or ought to be valuable to both.

In Calcutta, and I assume throughout the chief cities in India—the Presidency banks are the holders of almost the entire reserves of those who keep a banker.

Banking in India is entirely free, and has had of late years, as we all know, a very remarkable development. If, however, we go back a little and trace its rise, progress, and fall, it will be found that, without almost an exception, every European bank started in this country soon lost its distinctive character of a bank proper, and either became insolvent or found itself established in London as a bank of exchange. These banks have ramified connections with the seaports of India, the Straits, China, Australia, Japan, California, and elsewhere. Most of them have the privilege of a note circulation beyond the confines of India, and everywhere they more or less cultivate a local banking business.

As a convenience, and on the obvious ground of economy, the Indian branches, however, choose to keep their cash reserves with the Presidency banks, and in times of difficulty—I put the matter broadly—they calculate upon receiving assistance from their bankers.

Taken then matters as we now find them, the question is raised—Are there in India the materials for enforcing, by legislation, uniformity in the rule under which each bank must keep its own reserves in Government notes, and is it desirable or expedient to encourage such legislation?

To obtain uniformity, the law must over-ride the existing charters of those banks, compel the weekly publication of assets and liabilities, so that the proportion of silver or Government legal tender notes may be assimilated to the amount of advances outstanding. Even if the above difficulty can be got over, I apprehend that the opposition of the banks would be very formidable. They would be obliged under such a law to throw on the market that large portion of their reserves which they hold at present in the interest-bearing securities of Government, and convert them into legal tender notes which do not bear interest. Neither Government nor the banks could possibly gain by such a measure. I question indeed if in reality it would not prove futile so long as the banks can, without let or hindrance, create on comparatively small capitals a very large superstructure of credit, by valuing on each other according to their necessities, either on demand or at long currencies.

Is it then expedient to hold out sufficient inducements to new institutions to establish themselves in this country, keep their own reserves, and confine their operations exclusively to India, the same way the Presidency banks, the Banks of England and France, and in America, restrict their operations?

I think not. All past experience while banking has been entirely *free*, goes against the theory. Government might indeed sever the existing connection, create a rival establishment, and give to it the restricted use of their balances, but that would simply be a change of bankers, and probably result in the serious weakening of one bank, only to magnify another, or rival establishment.

Purely local banks, with branches throughout the Presidencies, to be really useful and advantageous to the country, must be established and conducted on sound principles. To such banks the prestige of Government is of the last importance.

You cannot, I submit, institute a fair analogy between England or France, or America and India, nor with safety or advantage force upon India theoretical legislation in banking or currency.

The usages, customs, and habits of the people of this country, who are a nation of traffickers in money as well as in the inland exchanges, are opposed to the rapid growth of purely western customs and institutions. They must ever retain in their own hands, against all competitors, by far the largest portion of the purely banking operations in India, and legislation cannot possibly reach them. They have sufficient influence, either by active combination or passive inaction, to defeat any movement of the kind, unless indeed they find that it subserves their own interests.

The question appears, then, to be narrowed to this issue. Is it preferable, with a view to the holding of separate reserves, to continue the three banks in the respective Presidencies, or to fuse them into one?

The unfortunate position of the Bank of Bombay, apart from all other considerations, renders it, in my opinion, not only preferable, but necessary. The element of uncertainty regarding such a large portion of its assets; the impending liability for heavy calls; the impaired credit and crippled resources of the bank; and, beyond all, its inability to cope with recurring monetary crises, must from time to time bring its position prominently before the public, and tend to unpleasant discussions with Government. The reserve of the bank with numerous branches, and a capital reduced by nearly one-half, cannot possibly be maintained at the same high range as that under the amalgamated bank, which provides so much additional capital specially for Bombay requirements. Nor can Government have perfect freedom in dealing with their balances at Bombay so long as public confidence is wanting in the stability of that bank as now constituted. The uniformity in administration which must follow on the fusion of the banks, will certainly tend more than divided action to maintain public credit; and to restore broken confidence by attracting deposits and thereby enlarging the reserves of the bank.

A multiplicity of banks beyond the Presidency towns, purely local in their character and in their business, who would be compelled by law to hold a certain amount of reserve proportioned to their advances, is, I repeat, in my opinion not attainable or possible here.

It is a delicate point to insist on, but I add that I do not believe that the paper currency can ever have a fair trial in India until the management of it is restored to the banks. Government began at the wrong end by prematurely appropriating to itself the supposed large profits of an *imperfect circulation*. Accepting it as an accomplished fact, I nevertheless, with much deference, adhere to my frequently recorded opinion, that our currency legislation has been wrongly directed, and that it is only through the agency of the banks that a note circulation can ever have a thorough development throughout India.

Banking monopoly is not possible. No Government, so far as the mere banking connection is concerned, stands more loosely towards a State bank than does the Government of India towards the Presidency banks of India. If Government or the public are aggrieved, if terms more favourable can be obtained by Government at the termination of the short existing agreement, the connection may be at once ended as a matter of course.

To obtain and preserve that connection, the amalgamated bank must necessarily make sacrifices which, under other circumstances, would be unnecessary. That the connection is now advantageous to Government, the bank and the public, is admitted, and that it will be much greater under a united bank is set forth herein.

Banks who have to consult only their own safety and profits, cannot afford to extend help to others in times of difficulty.

To recapitulate, then, with such a large capital actually provided, and liable to further calls in case of need, with an adequate reserve fund in the event of unforeseen losses arising either

either from the ordinary business or from political disturbances, I submit that the proposed united bank would be equal, at all times and under all circumstances, not only to meet the legitimate requirements of commerce, but by unity of action, and under the eye of the Supreme Government, to control those recurring monetary crises which, although hitherto more felt in the Bombay Presidency, yet very closely and intimately affect the interests and position of all.

Government would have an absolute guarantee for the unvarying management of their treasuries under one controlling power; a certainty of greater economy in the use and distribution of their balances throughout India; uniform management of the public debt under the same safeguards, but with enlarged security, and a powerful agent in aiding them in all their financial measures not only at the seat of Government, but by combined action throughout the whole country.

Nor do I despair of (what I venture to term) sounder views than those which at present prevail being ere long adopted by Government, and of the management of the paper currency being restored to the bank on terms somewhat similar to those which it formerly enjoyed, or resembling in a modified degree the privileges of the Banks of England and Montreal.

In too many banks, purely European, the wealthy natives and merchants have of late manifested unmistakeable distrust, and it is submitted with confidence that, in legislating for India, respect must be paid to their usages, habits, and prejudices. They have never distrusted the Bank of Bengal. Its extension on a perfectly sound and wider basis, combined with a prolongation of the existing happy combination of official and mercantile experience in the Boards of Directors, will, it is submitted, tend materially to the progress of India.

No. 2.

(Dated 7 March 1867.)

From *G. Dickson, Esq.*, Secretary and Treasurer, Bank of Bengal, to the Secretary and Treasurer, Bank of Bombay.

I HAVE to inform you that the demi-official and private letter, dated 28th ultimo, and addressed to Mr. Cowie by Mr. Stewart, one of your directors, for communication to the Board, was under consideration at their ordinary weekly meeting of this forenoon. In the sederunt of the 28th February the same subject was discussed, and as you will find on reference to the enclosed minute, I received instructions to embody in the present form the memoranda which I had prepared, and which I read to the directors on Thursday last. The minute has been adopted, and will be adhered to in its integrity by my directors.

I am now desired to forward it to you accordingly, with the following explanations, viz.:—(1.), that in the meantime it has not been made public here; (2.), that it is conveyed to your directors in confidence, but, on the understanding that in the exercise of their discretion they may communicate the whole or such portions of it only as they may deem expedient to the meeting of your shareholders, which has been fixed for the 12th instant. I am to add, that the chief reason which influences my directors in observing reticence in the meantime, is a desire to prevent disturbance in the share markets of the three Presidencies, which would probably ensue on a premature divulgence of the proposed scheme for one great bank of India.

I have transmitted copy of the minute to our friends the Bank of Madras on a similar understanding. You are doubtless aware that the Government has expressed a desire to consider favourably such terms as may be mutually agreed on between the Banks of Bengal and Bombay. The absorption or non-absorption of the Bank of Madras will not materially affect the proposal.

Kindly telegraph as soon after receipt as possible whether the proposal is likely to be adopted; if favourably considered telegraph the word “Wilson”; if unfavourably “Trevelyan”; if accepted heartily “Massey,” adding any explanation which you may consider necessary.

No. 3.

COPY TELEGRAM, dated 14th March, from Bank of Bombay in reply to Letter of 7th idem.

“Directors Wilson (interpretation—Directors entertain proposal favourably). President will telegraph to your President.”

No. 4.

COPY TELEGRAM, dated 16th March, from Bank of Bombay, intimating that official reply to Bank's Proposal had been posted on that date.

“Sixteen. My answer to your letter seventh posted to-day.”

No. 5.

COPY TELEGRAM, in cipher, from President of Bank of Bombay to President of Bank of Bengal, dated 16th March.

Directors generally approve of your proposal, provided Bombay shareholders have the option of paying their portion of new capital in one sum or by instalments.

No. 6.

COPY TELEGRAM agreed on at a Meeting of the Directors of Bank of Bengal held on 18th March, and ordered to be transmitted through the Bank of Bombay for publication in England, with the view of making known to English Shareholders the probability of additional Capital being called up.

Bank of Bombay generally accepts terms of Bank of Bengal for incorporation in one bank, subject to approval of Government and shareholders. Bank of Bengal proposes to extend operations to Bombay under new charter, and new name. Scheme embraces Madras, so as to create one bank for India. Capital ten, twice five millions sterling, one-half to be called up. Bank of Bombay to receive one million sterling of new capital paying for same in cash and realizing their own assets with which Bank of Bengal does not intermeddle. Shareholders of Bank of Bengal also receive nearly one million of new capital. Shareholders of both banks to pay 25 per cent. premium, so as to form large reserve fund. Calls on new stock to be paid by shareholders of Bank of Bengal in June next; payment of calls to be made on shareholders of Bank of Bombay by instalments; duties not yet fixed.

No. 7.

COPY TELEGRAM of 18th March to Bank of Bombay in reply to cipher Message of 16th.

Quite prepared to accept general proposition to receive payment of allotted capital by instalments. If letter of 16th contains no definite proposal on this subject, my directors will offer terms. Send on telegram to "Times" London, transmitted of date to you for that purpose.

(No. 1599, dated 23 March 1867.)

From *E. H. Lushington*, Esq., Secretary to Government of India, Financial Department, to the Secretary and Treasurer of the Bank of Bengal.

I AM directed to acknowledge the receipt of your letter, dated 19th instant, with enclosures, relative to the proceedings of the Bank of Bengal, in correspondence with the Bank of Bombay for the incorporation of the Bank of Bombay into the Bank of Bengal.

When the terms of this contemplated fusion are settled, the ulterior arrangements proposed by the united bank for the transaction of the business of the Government will, no doubt, be duly submitted.

(No. 115.—Government of India. —Financial Department.—Accounts.)

To the Right Honourable Sir *S. Northcote*, Bart., Her Majesty's Principal Secretary of State for India.

Sir,

Fort William, 18 April 1867.

WE have the honour to forward the documents named in the annexed list, and to state that they illustrate the scandalous manner in which the business of the Bank of Bombay was conducted at the period to which the correspondence relates.

We have, &c.

(signed)

John Lawrence.
H. S. Maine.
W. Grey.
G. N. Taylor.
W. N. Massey.
H. M. Durand.

(Financial Department.—No. 677.)

To the Chief Secretary to the Government of Bombay.

Sir,

I AM directed to state that the Government of India has been furnished with a copy of a letter, dated 23rd January 1866, from the secretary of the Bank of Bombay to the Government directors of the bank, relating to Mr. F. L. Brown's release, but that the information therein contained is not sufficient.

2. The Governor General in Council desires to be informed precisely what securities were offered by Mr. F. L. Brown, and accepted by the bank, what was their par value, and their market value at the time the loan was made to Mr. Brown, at what rate they were then valued by the bank, also what is their present value.

3. Further, the Government desire to know what will be the precise loss on the bank's transactions with Mr. Brown.

I have, &c.

(signed) *E. H. Lushington,*

Secretary to the Government of India.

Fort William, 10 February 1866.

(Financial Department.—No. 308 of 1867.)

From *F. S. Chapman, Esq.,* Chief Secretary to Government of Bombay, to
E. H. Lushington, Esq., Secretary to the Government of India.

Sir,

Bombay Castle, 16 March 1867.

I AM directed to reply to your letter No. 677, dated the 10th February 1866, calling for certain information, and particulars regarding the release granted by the Bank of Bombay to Mr. F. L. Brown.

2. The attention of this Government was directed to this case before the receipt of the letter above quoted, and inquiries had been instituted regarding it.

3. His Excellency the Governor in Council was of opinion that nothing could justify or excuse the original grant of these loans to a person of Mr. Brown's position; the money was clearly not required for purposes of legitimate trade.

4. With regard to the subsequent release, it was easy to understand that the bank might forbear to press its just claims at a time when it was supposed that severe measures might precipitate a panic, and involve in ruin many who were deserving of sympathy and support, but there was no sufficient reason why a release was granted, especially to a person so little entitled to special leniency as Mr. Brown.

5. His Excellency the Governor in Council could only record his extreme regret that this loan had been granted, and that the subsequent release had been given.

6. A statement containing the precise particulars called for in para. 2 of your letter under acknowledgement is annexed.

7. The foregoing will show the Governor General in Council the view taken by the Government of Bombay in this case; the opinions were recorded long ago, and it seems that no useful object would be attained by now prosecuting the subject further; I am, in conclusion, to apologize for the delay in replying to your letter.

The Minutes are dated 2nd, 5th, and 17th February 1866.

I have, &c.

(signed)

F. S. Chapman,

Chief Secretary to Government.



STATEMENT showing the several LOANS granted by the Bank of Bombay to Mr. Brown, the nature of the securities by which they are covered, and the value of such Securities at the present day.

Amount of Loans.	Nature of Securities.	Present Value of the Securities.
<i>Rs.</i>		
1st - - 2,50,000	Originally granted on the personal security of Mr. Brown and his partner, Mr. Bert; the latter has not been released; 46 Port Canning shares were subsequently given on the loan falling due as collateral security. Their value at that time was 1,000 rupees paid up, and 8,000 rupees premium, or in all 9,000 rupees each. The total value of the whole at the then market price was 4,14,000 rupees.	Mr. Bert, although not in a position to meet his liabilities, has not been declared an insolvent, and is still carrying on his business as a broker. The present value of Port Canning shares is 1,000 rupees paid up, and 300 rupees premium, or about 1,300 rupees each, or in all 59,800 rupees.
2nd - - 45,000	On a bill signed by Mr. Brown jointly with two other merchants who have since failed.	It is not yet known what dividend the estates of these parties will pay.
3rd - - 20,000	On a bill signed by Mr. Brown, jointly with a solicitor in Bombay.	The assets of the party who is joint security are in the hands of trustees. From a statement of his affairs submitted to his creditors, the assets were shown to be in excess of the liabilities, but as the principal asset was a coffee estate, and as such property has fallen greatly in value owing to the number of estates belonging to bankrupts at present offering in the market, the trustees do not anticipate that the liabilities will be paid in full.

(signed) *F. C. Chapman,*
Chief Secretary to Government.

N.B.—This statement was prepared on 10th March 1866.

(signed) *F. C. Chapman,*
Chief Secretary to Government.

(No. 134 of 1867.—Government of India.—Financial Department.—Accounts.)

To the Right Honourable the Secretary of State for India.

SIR,

Simla, 1 June 1867.

WE have the honour to submit the following narrative of particulars connected with the proposed incorporation of the Bank of Bombay with the Bank of Bengal.

2. Early last month his Excellency the Governor of Bombay addressed a private letter and telegram to his Excellency the Governor General inquiring what this Government would be prepared to do in the event of funds being forthcoming for the reconstruction of the Bank of Bombay as a separate institution; his Excellency the Governor of Bombay expressing an opinion to the effect that, after seeing a deputation "from directors and influential shareholders," he was sure that funds would be at once subscribed, on receipt of an assurance that the old arrangements regarding the cash balances would be maintained.

3. The

3. The above communications were considered by us in Council, and a reply was sent to his Excellency the Governor of Bombay by telegram, stating that, subject to the approval of the Secretary of State, the Government of India would not be indisposed to entrust the Treasury balances to a new bank, provided a capital of one million sterling was raised by the end of March next, the date of the termination of the present provisional agreement with the Bank of Bombay.

4. This opinion was publicly communicated to the directors of the Bank of Bombay in an official communication from the Government of Bombay, a copy of which is subjoined for your information.

5. Since that date we have received no communication from the Government of Bombay, but we gather from the public papers that the proposal for the reconstruction of the bank has failed.

6. Mr. Dickson, the secretary to the Bank of Bengal, who has been staying at Bombay, by the invitation of the directors of the Bank of Bombay, for the purpose of conferring with them on the terms of the proposed fusion of the two banks, has also informed us by telegraph that the directors at Bombay have unanimously accepted the terms of the directors of the Bank of Bengal, and that the negotiations have been completed.

7. To this report we have sent an official answer by telegram, as follows:—

“Received telegram reporting conclusion of negotiations. Government is glad to learn that a decided line of action has been unanimously determined upon by the directors of the Banks of Bengal and Bombay. Government awaits official report containing details of arrangement and proposed date of commencement of business of amalgamated bank. No decided action can, however, be taken by Government without reference to the Secretary of State.”

8. The details of this amalgamation scheme, as set forth in a letter from Mr. Dickson, for the information of the directors of the Bank of Bengal, have been furnished to us, and they have also been published in the newspapers; a copy of the details extracted from the “Bombay Times” accompanies this despatch, but of course we cannot act on such information.

9. In this position of affairs we have addressed the Bank of Bengal, requesting to be informed with the least possible delay of the progress and state of the negotiations between the two banks, and inquiring, in the event of these negotiations resulting in union, whether the united bank would be prepared at an early date to submit proposals for the transactions of the Government business, with reference to the important change which would be effected in the relations of the Government with the Bank of Bengal by the union of that bank with the Bank of Bombay.

10. We have also addressed the Government of Bombay, desiring to be informed whether the directors of that bank had determined on the course to be pursued either in reference to the winding-up of the affairs of the existing bank, the establishment of a new bank, or a junction with the Bank of Bengal, and requesting that any arrangements which may thus be determined on should be at once communicated to us.

We have, &c.

(signed) *John Lawrence.*
W. Mansfield.
H. S. Maine.
G. N. Taylor.
W. N. Massey.
H. M. Durand.
G. U. Yule.

Simla, 1 June 1867.

(Immediate—No. 1584 of 1867.—Financial Department.)

To *J. Stuart, Esq.*, Secretary and Treasurer, Bank of Bombay.

Sir,

Bombay Castle, 18 May 1867.

I AM directed to acknowledge the receipt of your letter, No. 576; of the 16th ultimo, and in reply to request that you will communicate the following reply to the Joint Committee of Directors and Shareholders of the Bank of Bombay.

2. There is every disposition on the part of the Government of India and this Government, to give the directors and shareholders an opportunity of resuscitating the Bombay Bank, provided the necessary amount of capital can be subscribed and made available; and if what is considered necessary can be done by the directors, the old arrangements regarding the cash balances will be maintained, provided the Secretary of State concurs.

3. But I am desired to state that the Government of India do not consider that 50 lakhs of rupees will suffice, and are of opinion that the presents assets of the bank, so far as they are at present informed, are of so uncertain a character, and may take so long a time to realise, that no dependence can be placed on them to make good any considerable portion of the capital of the new bank.

4. The Government of India are therefore of opinion that, as an adequate basis for the reconstruction of the bank, it would be requisite that there should be subscribed and paid up a capital of 1,000,050 lakhs to be paid on the 1st of August, and 50 lakhs in March next, when the present agreement expires.

5. I am further to observe that it will be necessary to establish an efficient control over the management of the new bank.

I have, &c.

(signed) *H. E. Jacomb*,

For Acting Chief Secretary to Government.

EXTRACT from the "Bombay Times" Newspaper.

THE AMALGAMATION SCHEME.

"THE following is the proposal (subject to the confirmation of the shareholders of the respective banks) for the amalgamation of the Banks of Bengal and Bombay, to be incorporated by Government Charter, under a new name, which is to be submitted to the meeting of shareholders convened for the 4th of June next. The proposal is also subject to the approval of Government, and the concession by them of certain privileges contemplated in the formation of a new bank.

'Additional capital to be raised 1,42,03,750 rupees, and to be allotted at a uniform premium of 20 per cent. as under:—

FIRST CALL.

Payable between 30th June and 31st December 1867.

	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>
Bengal - -	35,75,000	or 162-8	per share of 1,000 ;	premium 32-8 ;	total 195.
Bombay - -	31,35,000	or 300	per two shares of 500 each ;	premium 60 ;	total 360.
	<u><i>Rs. 67,10,000</i></u>				

"Allotments due in respect of first call, if paid on 30th June 1867, will carry the dividend for half year ending 31st December next.

"Allotments paid not later than 30th September next will carry three months' dividend.

"Allotments unpaid on 31st December will be absolutely forfeited so far as regards the first call, but the original shares in the Bank of Bombay in respect of which the first call has not been paid on 31st December, shall nevertheless be entitled to, and carry, a right to a rateable proportion of the second call, payable between 31st December 1867 and 30th June 1868.

SECOND CALL.

Payable between 31st December 1867 and 30th June 1868.

	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>
Bengal - -	35,75,000	or 162-8	per share of 1,000 ;	premium 32-8 ;	total 195.
Bombay - -	39,18,750	or 375	per two shares of 500 each ;	premium 75 ;	total 450.
	<u><i>Rs. 74,93,750</i></u>				

"Allotments due in respect of second call if paid on 31st December 1867, will carry the dividend for half year ending 30th June 1868.

"Allotments

"Allotments paid not later than 31st March 1868, will carry three months dividend.
"Allotments unpaid on 30th June 1868 will be absolutely forfeited.

ABSTRACT.

	Bengal.	Bombay.	Total.
	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>
First Call - - - -	35,75,000	3,13,500	67,10,000
Premium - - - -	7,15,000	6,27,000	13,42,000
Second Call - - - -	35,75,000	39,18,750	74,93,750
Premium - - - -	7,15,000	7,88,750	14,98,750
Total Capital - - - -	71,50,000	70,53,750	1,42,03,750
Total Premium - - - -	14,30,000	14,10,750	28,40,750

"On payment of first call of 300 rupees with premium of 60 rupees per share, and on production of the share certificates the shareholders in the Bank of Bombay, will receive receipts which may be sub-divided and transferred in sums of 250 rupees each and upwards, the holders of each transfer receipt being entitled to participation in second call, so in like manner receipts will be issued to the shareholders in the Bank of Bengal under similar conditions.

"On payment of the second call of 375 rupees per share, together with the premium of 75 rupees, holders of stock receipts issued to Bombay will be entitled to receive certificates of consolidated stock for the full amount, or if practicable, certificates of shares in even sums of 1,000 rupees each in the incorporated bank, the relative scrip for Bengal being dealt with precisely in the same manner."

EXTRACT from a Confidential LETTER of Sir *Stafford Northcote* to Sir *Seymour Fitzgerald*, 18 June 1867.

I HAVE telegraphed to you on the subject of the banks. I quite agree with you, and think we ought certainly not to take any more shares in the Bank of Bengal, even if we cannot at once get rid of those we have. If the amalgamation takes place, we must take cash instead of shares, on account of our stake in the Bank of Bombay; and we may probably follow this step up by announcing (after deliberation, and not as part of the transactions now going on) that we mean to withdraw from our partnership altogether, both in Bengal and in Madras. Of course, if the Bank of Bombay is to be set on its legs again, we must not damage it by refusing to take any shares in it, if the resuscitation cannot be effected without our aid. But you will do the best you can.

(No. 149 of 1867.—Government of India.—Financial Department.—Accounts.)

To the Right Honourable the Secretary of State for India.

Sir,

Simla, the 24th June 1867.

IN continuation of our Despatch, No. 134, dated 1st June 1867, we have the honour to submit a letter dated 10th instant, from the officiating secretary and treasurer to the Bank of Bengal, reporting the progress that has been made in the proposed incorporation of the Bank of Bombay with the Bank of Bengal, and to state that we shall report further information on the subject as we receive it.

We have &c.,
(signed) *John Lawrence.*
W. Mansfield.
H. S. Maine.
G. N. Taylor.
W. N. Massey.
H. M. Durand.
G. U. Yule.

From *D. Woods, Esq.*, Officiating Secretary and Treasurer, Bank of Bengal, to the Secretary to the Government of India, Financial Department, Simla; dated Calcutta, 10th June 1867.

I HAVE the honour to acknowledge receipt of your letter of 3rd inst., and would beg to reply by saying that the Secretary, Mr. Dickson, was deputed to Bombay at the request of the directors of the Bank of Bombay, to confer with them on the subject of the union of the banks.

Mr. Dickson arrived at Bombay on 5th May, and on 13th idem, was in a position to forward a detailed scheme for the transfer of the business of the Bank of Bombay.

The main conditions contained in these proposals, as accepted by the directors of the two banks, are contained in the printed paper herewith enclosed.

The proposals were submitted to the shareholders of the Bank of Bombay, on 4th June, and the directors of this bank have been informed by telegram to this effect:—"Fifth, Amalgamation approved by meeting yesterday, special meeting of shareholders to pass formal resolutions to be held two months hence."

The directors of this bank have reason to believe that this resolution was adopted by a very small majority, and this circumstance may influence their action.

With reference to the latter part of your letter, I am instructed to say that, in the event of the union of the two banks, the new bank will, the directors have no doubt, be prepared immediately to submit proposals for the transaction of the Government business.

A meeting of the shareholders of this bank will be held on the 14th inst., but it is not probable that any active measures will immediately result.

PROPOSED TRANSFER OF THE BANK OF BOMBAY.

Additional Capital to be raised 1,42,03,750 rupees and to be allotted at a uniform premium of 20 per cent. as under.

FIRST CALL.

Payable between 30th June and 31st December 1867.

CAPITAL.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
2,20,00,000.—Bengal	-	35,75,000	or 162-8	per Share of 1,000 ; Premium 32-8 ; Total 195.		
1,04,50,000.—Bombay	-	31,35,000	or 300	ditto. ditto. „ 60 „ 360.		
		67,10,000				

Allotments due in respect of 1st call, if paid on 30th June 1867, will carry the dividend for the half year ending on 31st December next.

Allotments paid not later than 30th September next, will carry three months' dividend.

Allotments unpaid on 31st December, will be absolutely forfeited.

SECOND CALL.

Payable between 31st December 1867, and 30th June 1868.

	Rs.	Rs.	Rs.	Rs.	Rs.
Bengal - -	35,75,000	or 162-8	per Share of 1,000 ; Premium 32-8 ; Total 195.		
Bombay - -	39,18,750	or 375	ditto. ditto. „ 75 „ 450.		
	74,93,750				

Allotments due in respect of 2nd Call, if paid on 31st December 1867, will carry the dividend for the half year ending 30th June 1868.

Allotments paid not later than 31st March 1868, will carry three months dividend.

Allotments unpaid on 30th June 1868, will be absolutely forfeited.

ABSTRACT.

	1st Call.	Premium.	2nd Call.	Premium.	Total Capital.	Total Premium.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Bengal -	35,75,000	7,15,000	35,75,000	7,15,000	71,50,000	14,30,000
Bombay -	31,35,000	6,27,000	39,18,750	7,83,750	70,53,750	14,10,750
	67,10,000	13,42,000	74,93,750	14,98,750	1,42,03,750	28,40,750

(No. 156 of 1867.—Government of India.—Financial Department.—Accounts.)

The the Right Honourable the Secretary of State for India.

Sir,

Simla, 3 July 1867.

IN continuation of our Despatch No. 134, of the 1st June, we have the honour to report, that at a meeting of the shareholders of the Bank of Bombay, held on the 4th June, a proposal for the fusion of the Banks of Bombay and Bengal was carried by a majority of three, and at a general meeting at Calcutta on the 12th June, the shareholders of the Bank of Bengal, unanimously arrived at a like conclusion.

2. The question of amalgamation or reconstruction of the Bank of Bombay, is again to be taken into consideration by the shareholders of that bank on the 12th August, but from private information which has reached us, explanatory of the small majority for amalgamation, and from the limited degree of material support which the scheme of reconstruction appears to have found in the Bombay market, even according to the public papers most in favour of this project, we think that the plan of reconstruction has so completely broken down, as to limit the choice between the two schemes to that of amalgamation as a matter of necessity.

3. We have to add, that the majority of the Government are in favour of the measure of amalgamating the Banks of Bengal and Bombay, the Governor General, Mr. Maine, and Sir George Yule, being dissentient on the assumption that the reconstruction of the Bombay Bank is practicable.

4. In the course of our discussions, the question of principle has arisen, whether the State should continue its connection with the Presidency Banks. We enclose a minute of his Excellency Sir W. Mansfield on the subject, which has the general concurrence of the majority of the council. A Minute of the Right Honourable Mr. Massey dissenting from the view of his Excellency will follow by the next mail, together with expressions of opinion from other members of Government.

5. Our object in sending you this despatch, is to induce you to suspend your judgment for the present, on the subjects to which it refers.

We have, &c.

(signed) *John Lawrence.*
W. R. Mansfield.
H. S. Maine.
G. N. Taylor.
W. N. Massey.
H. M. Durand.
G. U. Yule.

MINUTE by His Excellency Sir W. R. Mansfield, K.C.B.

THE projects before Government for the amalgamation of the Banks of Bengal and Bombay, or the reconstruction of that of the latter, which have been for some time under the consideration of the public, have given rise to a question of much importance to commercial and banking credit in India.

2. Government has hitherto been an extensive shareholder in the several Presidency Banks.

3. The Right Honourable Mr. Massey is in favour of Government withdrawing from this position, whereas all the other members of council, including the Right Honourable the Governor General, consider it politic and necessary to maintain the existing connection.

4. Interference with a system on which the credit and trading transactions of great commercial centres have come to lean, is a matter of such serious character, which may be attended by the gravest consequences, that the most careful consideration of the arguments for or against the change is indispensable before a decision be pronounced.

5. The Presidency Banks, owing to the above-noted connection with Government, and the quasi-guarantee following on that connection, have, for a number of years, assumed before the public of the several Presidencies the position held by the Bank of England at home.

6. They are not only chosen by the public as the surest places of deposit, but they are recognised as such by the exchange banks of the several Presidencies, which use them accordingly as their treasuries.

7. The connection with Government proper, was strengthened by Mr. Laing, when following the example of the exchange banks, he introduced the system of employing the Presidency Banks for handling the balances in the place of a Treasury Department.

8. This reform was not only convenient to the State, but it had the further advantage of exhibiting, for the use of the public, a certain amount of capital which had hitherto been locked up in the treasuries to meet the current demands of the public service.

9. The arrangement was accordingly alike advantageous for the administration, for the banks, and for the public at large, while also in accordance with European practice. The Presidency Banks were further subsequently charged with the management of the public debt, all interference with the issue of paper currency having been abolished, and strictly guarded against for the future.

10. The banks had believed that, in this last arrangement, their interests have suffered, and that the public has not gained. Be that as it may, the particular change was only one of many showing the intimate connection of Government with the Presidency Banks, new privileges and larger functions having been conferred by Government in perhaps every instance, with the single exception which has been noted.

11. It is then evident that the Presidency Banks, besides being the principal centres of credit in the Presidency towns, and therefore, to a certain extent, throughout the Governments of Bengal, Madras, and Bombay, are, according to the most recent, as well as the older Acts of the Supreme Government, the servants of the several administrations for important public purposes.

12. It follows, then, that if the machinery they afford on such account be set aside, some other must be erected in its stead.

13. It will be admitted that Government cannot continue to use these banks as described, unless their foundations of credit be such as to convey to Government and to the public, a sense of real security, in addition to such limitations in the conduct of business as have been imposed by the Legislature.

14. Whether we may approve the system or not as a matter of theory, it cannot be denied that the connection of the banks and the Government of the country, by which a guarantee of solvency is conveyed to the public, has engendered that sense of real security which is necessary for the objects and duties committed by Government to the care of the Presidency Banks. The result then of what has been previously stated is, that it is a mistake to suppose that the connection of Government with the Presidency Banks as a shareholder was in any manner prompted by the desire of securing banking profits.

15. That connection has for its sole object such a basis of security as would enable the Government to use the banks for the discharge of public functions, while affording, at the same time, safe starting points for the commerce of the several Presidencies.

16. Consequently, if there be anomaly in such a connection as alleged, the anomaly has very special grounds, the action pursued with regard to which not having as yet disappointed either the public or the Government.

17. If we wish for a curious and stringent proof of the accuracy of this assertion, we should look, not to the prosperous condition of the Bengal and Madras Banks, but to the misfortunes of that of Bombay.

18. In spite of the ruin which overtook the Presidency of Bombay in 1865, which ultimately overwhelmed the Presidency Bank, the fact of its connection with Government has preserved its solvency in the face of the loss of half its capital, and of an amount of bankruptcy of joint-stock companies and private firms, which has only been surpassed in amount by the London calamities of 1865-66.

19. Government has lost a certain proportion of shares in common with other shareholders; but it has suffered no other loss; it has made no sacrifice; and in the midst of unparalleled calamity, and notwithstanding the culpable remissness of the Government directors of the Bank of Bombay in 1864-65, the balances of the State have proved to be in safe keeping, and the currency has not suffered.

20. Government, when appealed to on two occasions of extraordinary runs on the Bank following on failures in London and Bombay, gave its countenance and promise of support, and there its exertions seemed to have stopped. This was found sufficient; it being at once felt by the public that such a promise was sure to be redeemed, owing to the position of the Government as a shareholder, which thus operated as a guarantee of solvency.

21. It is then demonstrated with certainty that the object of Government in its existing association with the Presidency Banks, viz., of creating a sense of real security with regard to them, has been attained.

22. We may therefore dismiss the notion of banking profits having anything to do with the conception which led to the connection.

23. The banking profits are an accident of the connection, and may be regarded as the return for public money lent in behalf of the public credit.

24. The matter being as above described, we may now fairly inquire whether any arrangement is really anomalous which is framed for such objects as have been sketched, and which has achieved the expected results.

25. It may be conceded that in England the arrangement would be anomalous.

26. We may, however, fairly ask if all that is anomalous in England is improper or unreasonable for India, or whether, on the contrary, we are not often compelled by the circumstances

circumstances and usages of the latter to adopt measures the very opposite of what are affected at home when similar objects are held in view.

27. Thus, if we take the subject of credit as an illustration, we find that, in England, all undertakings of whatever magnitude are the result of private enterprise, unsupported by the credit of the State.

28. In India, on the contrary, no large enterprise flourishes, it may be said none can exist, without the fostering care of the State. This we see in the matters of the railways, of irrigation, and so forth. We hear much of private enterprise in India, but we observe that whenever the objects are large, requiring extended credit, not only must that be aided and supplemented by the State, but the Administration is also called on to assist in management of the undertaking concerned.

29. In short, the capitalist will not come forward, either in England or in India, for the development of the latter, unless he have a security for returns of his capital, both in money and vigilant superintendence.

30. We have often been told that the railway guarantee is an anomaly, and its extension has frequently been opposed by the highest authorities on this ground. Yet without the guarantee we should not have had a mile of railway in India, and the Secretary of State now sees himself compelled again to have recourse to it.

31. It is somewhat of an anomaly for Government to lend half a million to an irrigation company which started as the herald of private enterprise for large undertakings, unaided by the State. Yet the anomaly is not only a liberal arrangement, but one acquiesced in as displaying a wise policy on the part of Government with respect to the wants of India and its people, and our real duty towards them.

32. That which is found necessary for means of locomotion and irrigation, in spite of its anomalous character in the eyes of English economists, may perhaps cease to be called an anomaly in India.

33. If this be so, when we are dealing with the credit required for locomotion and irrigation, we cannot deny the truth of the principle when we apply it to credit in another form, viz., the support of a banking system which is not only demanded for the convenience of the people, but also for the functions of the State. The case is indeed infinitely stronger, because, as above shown, such functions are involved in addition to commercial convenience, the development of the country, and the support of legitimate enterprise.

34. It is thus seen that we should not fear to accept the position of the *quasi*-State guarantee of the Presidency Banks as a necessity of the country administered as India is, and of a community trained amidst the circumstances with which we are familiar.

By this institution we seek to compass a system of credit in India which, in a richer and more advanced country, is obtained without Government assistance.

35. We hold that to be a necessity here which may be dispensed with in England, and that, consequently, we should inflict a severe, perhaps a deadly, wound on the growing credit of the country, by a hasty change of a system which enlists the confidence of the people as being in harmony with their views on other matters, and with their habits of thought.

36. This being so, it follows that for the redemption of the responsibility thus assumed that Government should take a real share in the management of the banks according to such rules as have hitherto prevailed, those rules being rendered more stringent, if deemed necessary.

37. This is simply the necessary executive consequence which has been adopted.

38. The practice answered admirably well with all three banks till the unfortunate years of 1864 and 1865 in Bombay. Of the latter it may be said that it proves nothing, except that, in unexampled times, the Government directors forgot common prudence, and were unequal to their position. This does not show that the duty imposed on them was improper or anomalous, but that they neglected to perform it, and thereby precipitated calamities which a greater foresight and a sterner sense of duty might have greatly mitigated.

39. But, independently of the Government interest in these banks, there are other strong grounds for maintaining a Government direction in them.

40. Thus it is well known that in the direction of these banks the leading mercantile houses are represented. This occurs not only as a matter of distinction to the houses concerned, but as one of commercial influence.

41. The class of British merchants in India has not the stability or the wide experience of the merchants of London. The former consists for the most part of young men who are constantly changing, and who think only of the immediate present. The consequence is, that it is no easy matter to secure for the respective bank parliours quorums of the thoroughly educated and trustworthy directors, such as may be got by hundreds for the Bank of England in the city of London.

42. This difficulty has in general been fairly met by the presence of the Government directors in the Presidency Banks, with the single exception of Bombay, to which notice has been drawn.

43. It is understood to be a simple matter of fact that the secretaries or managers of these banks would in difficult times be unable to stem the importunities of the commercial directors, were it not for the support afforded them by the official directors, nominated under the orders of Government, who are assumed to be unconnected with trade, and uninfluenced by speculation.

44. It is not too much to say that the very able secretary of the Bengal Bank was under

great obligations to the Government directors in the tremendous strain of the fatal years which lately overwhelmed the commerce of England and of India.

45. A strange result of the last commercial crisis has been observed recently in England itself. Thus, the public has lost confidence in the directors of the largest joint-stock companies. We hear of frequent appeal for the intervention and the supervision of Government. Although to listen to such an appeal in England would be contrary to the policy and to the usage of that country, it cannot be denied that much ground has been shown why it should not pass altogether unnoticed.

46. Of India it may be said that, owing to the character of the Anglo-Indian and native communities, the reasons for such an appeal have infinitely greater force in India than in England, while the usages and ideas of the former are all in favour of Government supervision of institutions having regard to the public convenience and expansion.

47. It has then been shown that the connection of the Government with the Presidency Banks, as a shareholder, is founded on large considerations of public credit, and not by any means with a view to the interests of existing shareholders; and, further, that the immediate Government interference in management is required, if Government would continue to use the banks for the public functions now allotted to them.

48. It is, perhaps, unnecessary to go further in the proof of the expediency of adhering to existing arrangements. A word may, however, be said in behalf of the shareholders.

49. They have subscribed their capital to these banks on the understanding that Government was the principal shareholder, and thereby afforded a quasi-guarantee to the banks. The latter have in consequence, for a length of time, restricted their business within the limits assigned by Government, and have been content to accept the regulations the Government might choose to affirm.

50. The question then arises, would it now be equitable to discontinue the connection which seriously affects the value of the property held by the shareholders in the banks, and on the faith of which connection that property was either subscribed or bought?

51. This question, as regards equity, does not seem to be touched by the misfortunes of the Bombay Bank; for it cannot be denied that those misfortunes would have been greatly mitigated, if not altogether averted, if the Government directors had done their duty as responsible servants to Government in 1864 and 1865, or if the Government of Bombay itself had rightly read the times, and impressed on the Government directors the necessity of severity and caution in the discharge of their duties.

52. We have then to consider whether, in addition to the considerations of public credit and security which have been stated, there would not be something like a breach of faith towards existing shareholders by a dissolution of the connection between the banks and the Government.

53. It would seem that an announcement that such dissolution would be deferred till the termination of a contract having regard to other things, could hardly suffice to invalidate such a charge.

54. It is said that a bank which is entrusted with the care of the Treasury balances should be established on an adequate basis of capital and credit, wholly independent of Government.

55. But it has been shown that the formation of credit in this country depends at least as much on the patronage of Government as on any other circumstance, and that, as a consequence, capital will not flow in for the establishment of such an institution without Government measures insuring direct Government management.

56. Perhaps, then, it may be said that the statement which has been alluded to does not advance the consideration of the question before us; for so far from there being a probability of adequate credit and capital, independent of the Government connection, we are warranted in assuming that the exact opposite would ensue.

57. Thus, in the case of the projects now before Government with respect to fusion or reconstruction, it is understood by the public their success rests on the association of Government on the old terms.

58. It is clear that the Bank of Bengal has never contemplated the dissolution of the connection. In the case of Bombay, it was lately stated at the public meeting held in that city to consider the rival projects of fusion and reconstruction, that some of the distant shareholders had rendered their adhesion to reconstruction contingent on the maintenance of the connection with Government on the old terms, the inference being evident, that in such terms only could be realised in future the credit of the bank, and with it that of the community. This is, besides, clearly felt by the originators of the project of reconstruction, as shown by their prospectus.

59. If the fusion of the banks takes place, it will not be the creation of a new bank, but, under certain conditions, the expansion of the Bank of Bengal to meet the wants of Bombay as well as those of Calcutta.

60. It cannot be said that the Bank of Bengal should lose the privileges and consideration now enjoyed in conformity with the wishes of a majority of this Government, in order more effectually to meet the objects of Government as well as the exigencies of the public at large.

61. If, on the other hand, the reconstruction of the Bank of Bombay be preferred, putting aside the previous argument, it seems obvious that, in the present circumstances of Bombay, any measure failing to afford the full support of Government would not impart the credit to the renovated institution necessary for the due undertaking of the State business, and becoming the bank of deposit for the Presidency.

62. In short, it seems that, practically, there is no option whether fusion of the two banks or reconstruction of the Bombay Bank be determined on; that is to say, that the Government connection must be continued, unless Government be prepared to revert to its ancient system and discharge its treasury functions for itself.

63. In conclusion, it may be said that no plan has apparently been suggested according to which Government would be justified in entrusting its balances to the care of the Presidency Banks, when it ceases to have the connection of a shareholder.

64. On the cessation of that connection, Government would no longer have a right to name Government directors. Such directors sit in the respective parlours in virtue of the shares held by Government, and are thus in a position to guard the balances. It is believed that no system of inspection or audit would compensate for the loss of direction; for direction anticipates events, wards off misfortune, and looks to the immediate observance of rules. On the other hand, any system of inspection or audit affects past events, and whilst it may blame or correct misconduct, nevertheless steps in after the occurrence of misfortune or the breach of important rules. In short, it is powerless to check offenders till too late, and therefore to avert calamity.

2 July 1867.

(signed) *W. R. Mansfield.*

(No. 165 of 1867.—Government of India.—Financial Department.—Accounts.)

To the Right Honourable the Secretary of State for India.

Sir,

Simla, 12 July 1867.

In continuation of our Despatch, No. 149, dated 24th June 1867, we have the honour to submit a letter* from the Government of Bombay, reporting further proceedings regarding the proposed amalgamation of the Bank of Bombay with the Bank of Bengal.

* No. 788, dated 1 July 1867, with enclosures.

We have, &c.

(signed) *John Lawrence.*
W. Mansfield.
H. S. Maine.
G. N. Taylor.
W. N. Massey.
H. M. Durand.
G. U. Yule.

(Financial Department.—No. 788 of 1867.)

From the Honourable *M. J. M. Shaw Stewart*, Acting Chief Secretary to the Government of Bombay, to *E. H. Lushington*, Esq., Secretary to the Government of India.

Sir,

Bombay Castle, 1 July 1867.

In reply to your letter, No. 594, of the 3rd ultimo, I am directed to forward copy of a letter (No. 2694), with its enclosure, from the secretary and treasurer of the Bank of Bombay, communicating the arrangement determined on by the directors.

2. The proposals for amalgamation set forth in that letter were laid before the meeting of the shareholders held on the 4th ultimo, on which date the following telegram was communicated to the secretary and treasurer:—

“In reply to your letter of the 29th ultimo, No. 2695, Government can enter into no engagements until it is ascertained that the project for reconstruction has been definitively abandoned.”

3. The result of the meeting on the 4th June, and of a subsequent meeting of the shareholders of the Bank of Bengal, held in Calcutta, was reported to this Government in a letter from the secretary and treasurer, Bank of Bombay, No. 3007, of the 22nd ultimo, of which a copy is annexed.

4. I am also desired to forward copies of a letter from the secretary and treasurer, Bank of Bombay, (No. 2695), dated 29th May, asking Government to consent to certain subsidiary arrangements connected with the proposal to amalgamate the banks. Copies of my reply and of a further letter from the bank are also forwarded.

5. I am also desired to forward copy of my letter of this date, in reply to the communication from the bank referred to in the third and fourth paragraphs of this letter.

I have, &c.
(signed) *M. J. Shaw Stewart,*
Acting Chief Secretary to Government.

(No. 2694 of 1867.)

To the Chief Secretary to Government, Financial Department, Bombay.

Sir,

Bank of Bombay, Bombay, 29 May 1867.

I HAVE the honour, by desire of the directors of the bank, to forward the enclosed copy of proposals for the amalgamation of the Banks of Bengal and Bombay, and to state that they have received the unanimous approval of the Board, who will submit and recommend them to the favourable consideration of the shareholders at the general meeting convened for the 4th of June.

2. The directors are of opinion that, under existing circumstances, these proposals offer greater advantages to the shareholders of the Bank of Bombay than the terms proposed for the reconstruction of the bank.

I have, &c.

(signed) J. Stuart, Secretary and Treasurer.

The following is the proposal, subject to the confirmation of the shareholders of the respective banks, for amalgamation of the banks of Bengal and Bombay (to be incorporated by Government Charter under a new name), which is to be submitted to the meeting of shareholders convened for the 4th day of June next.

The proposal is also subject to the approval of Government, and the concession by them of certain privileges contemplated in the formation of a new bank.

Additional capital to be raised 1,42,03,750 rupees, and to be allotted at a uniform premium of 20 per cent., as under—

FIRST CALL.

Payable between 30th June and 31st December 1867—

	Rs.
Bengal - -	35,75,000, or Rs. 162. 8. per share of 1,000 rupees, premium Rs. 32. 8 ; total 195 rupees.
Bombay - -	31,35,000, or 300 rupees per two shares of 500 rupees each, premium 60 rupees ; total 360 rupees.
Rs.	67,10,000

Allotments due in respect of first call, if paid on 30th June 1867, will carry the dividend for half year ending 31st December next.

Allotments paid not later than 30th September next will carry three months' dividend.

Allotments unpaid on 31st December will be absolutely forfeited, so far as regards the first call, but the original shares in the Bank of Bombay, in respect of which the first call has not been paid on 31st December, shall nevertheless be entitled to and carry a right to a rateable proportion to the second call, payable between 31st December 1867 and 30th June 1868.

SECOND CALL.

Payable between 31st December 1867 and 30th June 1868—

	Rs.
Bengal - -	35,75,000, or Rs. 162. 8. per share of 1,000 rupees, premium Rs. 32. 8.; total 195 rupees.
Bombay - -	39,18,750, or 375 rupees per two shares of 500 rupees each, premium 75 rupees ; total 450 rupees.
Rs.	74,93,750

Allotments due in respect of second call, if paid on 31st December 1867, will carry the dividend for half year ending 30th June 1868.

Allotments paid not later than 31st March 1868 will carry three months' dividend.

Allotments unpaid on 30th June 1868 will be absolutely forfeited.

ABSTRACT.

	1st Call.	Premium.	2nd Call.	Premium.	Total Capital.	Total Premium.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Bengal -	35,75,000	7,15,000	35,75,000	7,15,000	71,50,000	14,30,000
Bombay -	31,35,000	6,27,000	39,18,750	7,83,750	70,53,750	14,10,750
Rs.	67,10,000	13,42,000	74,93,750	14,98,750	1,42,03,750	28,40,750

On payment of first call of 300 rupees, with premium of 60 rupees per share, and on production of the share certificates, the shareholders in the Bank of Bombay will receive receipts, which may be subdivided and transferred in sums of 250 rupees each and upwards, the holders of such transfer receipts being entitled to participation in the second call. In like manner receipts will be issued to the shareholders in the Bank of Bengal under similar conditions.

On payment of the second call of 375 rupees per share, together with the premium of 75 rupees, holders of stock receipts issued to Bombay will be entitled to and receive certificates of consolidated stock for the full amount, or, if practicable, certificates of shares in even sums of 1,000 rupees each in the incorporated bank; the relative scrip for Bengal being dealt with precisely in the same manner.

(No. 3007.)

To the Chief Secretary to Government, Financial Department, Bombay.

Sir,

Bank of Bombay, Bombay, 22 June 1867.

I HAVE the honour to forward, for the information of Government, summary proceedings at a special general meeting of shareholders of the Bank of Bombay held on the 4th instant; also a report by the press of proceedings at a special general meeting of shareholders of the Bank of Bengal held at Calcutta on the 14th instant, by which you will observe that resolutions approving of the scheme for the amalgamation have been carried by the shareholders of both banks.

2. With regard to the Bank of Bombay meeting, I am desired to state that it was called merely with the view of eliciting an expression of opinion on the part of the shareholders as to the proposed scheme for amalgamation, and the proposal having been approved of by the shareholders, the directors have called a general meeting of shareholders of the Bank of Bombay, to be held on the 12th August next, to pass the resolutions necessary to enable them to carry out the proposed scheme of amalgamation.

3. Referring to the communication published by the Government on 11th March last, that the Government of India would be prepared to consider favourably any proposals that might be mutually agreed upon between the two banks for the amalgamation, I am desired most respectfully to request that his Excellency the Governor in Council may be pleased to state, at his earliest convenience, for the information of the directors, whether the terms set forth in the enclosed paper (copy of which was forwarded to you in my letter No. 2694, of the 29th ultimo) meet with the approval of Government, or whether any modifications are considered desirable.

4. The directors are advised that it may be necessary to apply for special legislative enactment; it is, therefore, of importance that they should be favoured with the views of Government at an early date.

I have, &c.

(signed) *J. Stuart*, Secretary and Treasurer.

BANK OF BOMBAY.

NOTICE is hereby given, that a special general meeting of the shareholders will be held at the office of the Bank, in the Elphinstone Circle, within the Fort of Bombay, on Monday, the 12th day of August next, at 11 o'clock in the forenoon, to consider the proposal for amalgamation of the Bank of Bombay with the Bank of Bengal, and to pass such resolutions as may hereafter appear to be necessary or advisable (and of which due notice will be given) for carrying the amalgamation into effect.

By order of the Board of Directors,

(signed) *John Stuart*,

Secretary and Treasurer.

Bombay, 6 June 1867.

To the Shareholders of the Bank of Bombay.

Bank of Bombay, Bombay,

6 June 1867.

I AM directed to forward the following summary of proceedings at a special general meeting of shareholders, held on the 4th instant, to consider a proposal for the amalgamation of the Banks of Bengal and Bombay; and, in pursuance of the requisition contained in the resolution then carried, a special general meeting of shareholders has been convened

for Monday, the 12th day of August next, at 11 o'clock in the forenoon. This date has been fixed with the view to enable shareholders at a distance to be represented at the meeting by proxy, or to give them an opportunity of communicating with those who already hold their proxies.

I have, &c.

(signed) *John Stuart,*
Secretary and Treasurer.

BANK OF BOMBAY.

President.—J. L. LUSHINGTON, Esq.

Directors:

C. E. CHAPMAN, Esq.
G. NORMAN, Esq.
G. M. STEWART, Esq.
W. LOUDON, Esq.

Honourable ALEXANDER BROWN.
H. FORMAN, Esq.
M. H. SCOTT, Esq.
H. CLEVELAND, Esq.

SPECIAL GENERAL MEETING.

IN accordance with previous announcements, a special general meeting of the shareholders of the Bank of Bombay was held on June 4th to consider a proposal for the "amalgamation of the Banks of Bombay and Bengal, to be subsequently incorporated by Government, under a new charter, under a new name;" and, at the request of the Committee of shareholders, to consider the scheme for the reconstruction of the bank. The chair was occupied by Mr. G. M. Stewart, in the absence of Mr. J. L. Lushington, the President of the Board of Directors, who was unable to attend. The meeting was well attended, and all the directors were present, except Mr. J. L. Lushington and Mr. M. H. Scott. Among the shareholders were Colonel Pelly, Brigadier General Russell, Captain Young, I. N., Honourable G. Foggo, General Rivers, Messrs. A. E. Bellasis, W. H. Havelock, A. J. Macdonald, Henry Maxwell, John Connon, J. P. Green, J. A. Forbes, N. Spencer, C. Currey, S. C. Powalla, Eduljee Nusserwanjee, and others.

The advertisement convening the meeting having been read,

The Chairman said: "Gentlemen, I am sorry to say that, at the last moment, we have heard from Mr. Lushington that his health prevents his being present to-day, so that, in his absence, I am obliged to occupy the chair. The following are the remarks which Mr. Lushington intended to have made on behalf of the Board of Directors:—

"We have invited you to meet here to-day for the purpose of obtaining from you a direct expression of opinion on our proposal for amalgamating the Bank of Bombay with the Bank of Bengal. The detailed scheme of amalgamation has been placed before you in the local journals, and for the benefit of shareholders copies were obtainable from the bank; and, as they are now laid on the table, we will presume that you are acquainted with them. After much anxious consideration, the directors have come to the conclusion that the scheme for amalgamation, as now submitted, taken as a whole, is the most feasible and conducive to the interests of the shareholders of the present bank. I do not here propose to enter into detail of the reasons which have influenced us in coming to this conclusion, preferring rather that these should be gathered from the discussion to which I now invite you. If the terms we have laid before you are generally considered satisfactory, and are adopted by you, a meeting will be convened on a date sufficiently deferred to enable shareholders at a distance to be represented. At this meeting a resolution will be brought forward, with a view to carry on the arrangement which your directors propose to make with the Bank of Bengal. The directors recommend amalgamation; but it is open to any shareholder to bring forward the consideration of any other course he may advocate. With these few remarks I beg to move the following resolution:—

"That in the opinion of this meeting it is desirable that the following terms* of arrangement, between the Bank of Bombay and the Bank of Bengal, should be adopted, and that the directors be requested to convene a special general meeting of the shareholders of the bank, to be held at a date not less than two months hence, to determine the course to be adopted for carrying that proposal into effect."

Mr. Cleveland, a director, said he had much pleasure in seconding the resolution which had been proposed by Mr. Stewart. As he (Mr. Cleveland) had been one of the committee of shareholders appointed to consider the alternative scheme for reconstruction, he had taken the opportunity to discuss the matter with a great number of gentlemen capable of forming an opinion upon the matter. Under the scheme of reconstruction which he had proposed at first, a very small capital would have been sufficient to carry on the bank, and only 20,00,000 rupees would have had to be called up. He believed that sum could have been

* See Appendix A.

been raised ; but he very much doubted whether the larger sum now required for carrying out the reconstruction could be : at any rate, there would be great difficulty in the matter. With that new capital, and by the Government allowing its money to remain in the hands of the bank for some months, it might have been carried on ; and sufficient of the assets might have been realised to enable the shareholders to pay up the second call at the end of six months. Most of the persons he spoke to on the subject were of the same opinion as himself ; that, in order to induce people to join in a new bank, the Government should take shares in it to the same extent as they were interested in the old bank. He had felt great confidence that such scheme would answer. The first thing they had to do, was to ascertain whether the Government would continue its business with the bank, and an application was accordingly made to the Government ; but, instead of Government giving them an answer to that effect, it led them to understand that they would not take shares in the new bank, and would not be able to allow the deposit to continue ; and that it could only allow a new agreement to be made by the permission of the Secretary of State for India. The Government also decided that 1,00,00,000 rupees must be raised by the shareholders—a thing which he thought impossible in the present circumstances of Bombay—that was, that 50 lacs should be raised by the 1st August, and another 50 lacs by March next.* That being so, he, for one, was of opinion, that it was impossible that reconstruction could be carried out. Many of the persons who came forward stipulated that the Government should become partners in the new bank. Well, feeling, as he had said, that reconstruction under those circumstances was impossible, the next question was, whether they should endeavour to save the bank by amalgamating it with the Bank of Bengal. He, himself, should have preferred to see the bank reconstructed ; but, finding that impossible, he gave his assent to the scheme for amalgamation, for he believed, in the present state of affairs, that an amalgamation was the only possible means by which the Bank of Bombay could hope to get out of its difficulties. He begged to second the resolution proposed by Mr. Stewart.

* See Appendix C.

Major General Rivers : Are the directors unanimous ?

The Chairman : They are.

The Honourable G. Foggo said he would wish to offer a few remarks on the question before the meeting. Mr. Cleveland had commenced by saying he had been one of the committee appointed by the shareholders to consider the alternative scheme ; but it seemed to him that Mr. Cleveland was labouring somewhat under a mistake upon two points. Mr. Cleveland had taken it for granted, in the first place, that it would be quite impossible to get better terms from the Government ; but that would not be so were the shareholders to come forward as one man, and stand upon their rights as shareholders, and upon that which was due to them as a matter of justice. The other point was, that it seemed to be said the scheme for reconstruction had had a fair trial. Now he (Mr. Foggo) maintained that such was not the case, to say nothing, or at any rate to say but little, about the position which the directors had taken up in the matter. He was not going to launch any blame against the directors, but merely to state a fact—and it was a fact nobody could deny—that, with the exception of a short interval, during the deputation to Matheran, the directors had, from first to last, given the cold shoulder to the scheme for reconstruction. Independently of that, he thought it was not possible reconstruction could have had a fair trial, unless amalgamation had at once been thrown overboard. It did not admit of the amalgamation being considered at the same time. They would take the case of a shareholder with 40 or 50 shares. He knew the case of a gentleman, high in the military service, who had such a number of shares in the bank, who wrote down to the directors, saying he was willing to take shares in Mr. Dickson's scheme ; but that, if the directors thought (and Mr. Cleveland had already told them that he thought the scheme for reconstruction was the most valuable one) the scheme for reconstruction was the best, he would take shares in that. If the amalgamation had been thrown overboard, when the alternative scheme was proposed, then, and then only, would a fair opportunity have been given to the shareholders to test the opinion of the public on the point. He considered the true course for the shareholders to pursue—having regard to their own interests, and saying nothing with regard to public interests, which to them were of minor importance—was to throw away the amalgamation scheme at once, and lay their case before the Government of Bombay, the Supreme Government, and the Secretary of State, asking what assistance would be given the shareholders towards recovering the lost capital of the bank, and helping them in the reconstruction of a new Bank of Bombay. To show that these opinions were not very extreme, but, on the contrary, were grounded on the opinions of some whose recommendations were entitled to weight, he would read the meeting a letter which he was favoured with a few days ago, and which he had read at the private meeting of shareholders held the other day. It was from a gentleman whose name he was not at liberty to give, and who, although not a member of the Government, was closely connected with it. What he said was this :—

“ Matheran, May 30.”

“ My dear Foggo,—I wish I could attend the meeting of Bombay Bank shareholders to-morrow. However, I entirely agree with what I suppose to be your view, viz. :—That we should strive for a reconstruction of the bank, as preferable to the amalgamation with the Bank of Bengal, both for public ends and the shareholders' private interest, and that we should urge upon Government, in consideration of its position as a large shareholder, and as a most influential and almost paramount director, that it should assist the bank with a special loan of so much money as may be well secured by the assets of the old bank. Th

Government

Government, wisely or unwisely, thought fit to ally itself with the bank, with purpose, I suppose, to give it stability, and thereby to secure public confidence for the public benefit. It obtained that confidence with disastrous consequence to hundreds, a large number of whom were its own retired servants, their widows and families. It is scarcely possible to dispute that the Government has a large responsibility in this matter. The claim upon it for pecuniary aid to make the best of the circumstances appears to me irresistible, if fairly urged. The sufferers are those who are helpless through ignorance of their position, their claim, and the means of urging it; so that there is a seeming apathy on the part of shareholders, which we should do our best to remove lest it beget a real apathy on the part of those who ought to help them. There is danger lest weary hopelessness lose the opportunity, and make things worse than they need be. The mere difference of temper of men heartily setting to work to help themselves, encouraged at the same time by liberal aid from those whose duty it is to co-operate, and the same persons throwing the labour, responsibility, and legitimate gains to others, and hopelessly accepting the price of the good-will of their present position as all they can hope for, is alone a difference in the two offered schemes, which, to my mind, weighs heavily against amalgamation. The direction of the principal bank, in a great mercantile city like Bombay, has a representative character which makes its action infectious for good or ill. If the bank direction now prove self-reliant, determined to use its costly experience with some degree of unselfish devotion to public ends, I believe it may do much to restore commercial confidence, and may help to strengthen commercial morality. I have not, in this note, entered into any details of conditions and securities between Government and the bank. I only state my conviction, that such considerable assistance from Government, as I have indicated, may be reasonably asked; and that, with such assistance, we ought to reconstitute the bank."

He (Mr. Foggo) was not going to detain the meeting long, but he must recur for a few moments to the arguments which were brought forward by himself and others at the private meeting of shareholders, a summary of the proceedings of which appeared in one of the local newspapers "The Times" of India, because he thought they had received a remarkable confirmation in the telegram from London which had been published that morning, and which Mr. Macdonald's house had so energetically obtained. He (Mr. Foggo) and others, had said at the meeting he had just referred to, that the proposed amalgamation was a wild scheme, a visionary scheme, and that it depended too much upon contingencies for any man of business to be induced to take up shares without the directors having received any assurances from the Government; for so far at least as the outside world knew, the directors had no such assurances, or if they had they had not communicated them to the public. For instance, in the amalgamation scheme some concessions were referred to. Now he should like to know what they were? If those privileges amounted to alterations in the currency system of which Mr. Dickson was so enamoured, the whole thing would fall to the ground, because no Government would authorise such a scheme. As had been urged at the private meeting of shareholders, if they agreed to the amalgamation scheme they would still have to go through several ordeals, and what guarantee could the directors give them? The question was one for the Bank of Bengal, for the Indian Government, and for the Bombay Government. And if the telegram was to be relied on—and he had no doubt it might be—it showed that there was a very strong feeling at headquarters. Amalgamation was not to be hurriedly taken up; only to be adopted after the maturest consideration, and not for the purpose of fishing a rotten bank out of the mud—for he was sorry to say this bank could only be so described. Then again, would not the shareholders in the Bank of Bengal have something to say about getting a new charter, as they would have to do? Reference had been made to the question of the Government continuing as shareholders, and the question would arise just as readily, and to his mind more readily, than it would in the case of the reconstruction of the Bank of Bombay, because in the one case the Bank of Bengal would be making new terms with the Government whilst the Bank of Bombay had claims upon the Government which could not with any degree of fairness be put aside. Lest it might be thought he was interested in a money point of view, he might state that he was not so interested. He had only five shares in the bank, and of these the profits did not all belong to him. He held proxies for a large number of shares, but they came to him in a general way of business; he had only the interests of the shareholders at large in view, and he felt that, as regarded the scheme for amalgamation, they were only following a will-o'-the-wisp; and that their only safe and sound policy was to stick to the Government, and to remind it of the claims they had upon it, and to show it that for years past—since 1863—it had allowed the business of the bank to drift into bankruptcy; and that therefore it was its duty to help them, the shareholders of the bank, either by means of a special loan or in any way it pleased, in forming a new bank. The shareholders should not be led astray by the scheme for amalgamation, which would only weaken their position. If they entered into the amalgamation, it would do them no good, for the Government when they went to them, would say, the shareholders had settled the matter themselves; that it was very sorry for them, but could not help them.

In answer to questions put by Mr. Macdonald, with regard to the position of the Bank of Bengal, the chairman stated that the directors had not made any special investigation, that their object was, in the first place, to obtain an expression of opinion from the shareholders with regard to the terms proposed, and it would then be their duty to satisfy themselves that the position of the Bank of Bengal was thoroughly sound, before asking them to pledge themselves to any arrangement.

Mr.

Mr. Macdonald said, it was four months ago since these negotiations commenced, and yet they were just in the same state of uncertainty as at first. They did not know what was to be done. Let them throw overboard one scheme or the other, for it seemed to him that the directors were quite uncertain as to amalgamation, and he assumed they would be in a still greater position of uncertainty. Mr. Dickson's scheme was dependent upon privileges which were expected to be got from the government of India. Now, they all knew from the Indian Government, and from what had occurred at home, that the feeling of Government was more in favour of reconstruction than of an amalgamated bank; naturally, the Government would do more for them, if they tried to help themselves, than if the shareholders of the Bank of Bombay went to Calcutta for assistance. If they went to Government, saying, that they would have 50 lacs in March next, and another 25 lacs by the following December, from the realization of the assets of the Bank of Bombay, there was not the least doubt that the Government, bound as it was to assist them, would come forward and at once grant what they asked; and he did not see that the Government could do any thing else but concede any fair terms they asked of it.

The Hon. Alexander Brown said, it was very desirable that something should at once be settled in one way or the other. It was very undesirable to hang up the question, and he thought that the body of shareholders should now determine what was best to be done for the interests of the bank. If amalgamation were determined on, let all join in bringing it about, but if not, let them all join hand-in-hand and endeavour to reconstruct the bank. The directors had gone very carefully into the whole question, and had decided to recommend amalgamation as the best course; but the shareholders had now met together to get at the real truth of the question. The directors did not profess to be infallible; and all they wished was, to get the shareholders' opinions fully and frankly, to enable them to arrive at a satisfactory conclusion. For his own part, he had gone into the scheme for amalgamation solely on account of the interests of the shareholders, and he did not think it could be defended on any other grounds than this; but if the discussion showed that it was not for the interests of the shareholders, then he trusted that the meeting would reject it. Now, on the question of the amalgamation as affecting the public interest of Bombay, it appeared to him, that if its present or immediate bearing on these interests were alone considered, there was something in the amalgamation scheme to recommend it. It seemed to offer somewhat of a certainty as against the risks which must be run, in attempting to reconstruct the bank; and there was this also to recommend it, that it would bring into Bombay a considerable amount of Bengal capital, which would be a great present advantage, whereas the scheme for reconstruction would require their immediate subscription of a large amount of money to set the new bank going, involving a strain on the resources of Bombay. But while there were those present advantages in the amalgamation scheme, he thought, speaking as a merchant of Bombay, interested in its prosperity, that in considering this amalgamation scheme the future advantage of Bombay must not be lost sight of. He could not agree with Mr. Dickson, that there would be no danger to Bombay in amalgamating with the Bank of Bengal, for he believed that diversities of opinion, jealousies, and difference of interests would arise, and the Bank of Bombay would be in danger of being overshadowed by Bengal. He therefore, on public grounds, was disposed to condemn the amalgamation scheme. The interest of the shareholders was quite a different question. He believed they would be best served by the adoption of the amalgamation scheme, but he thought it most important that a full discussion should take place on this point, and that they should get at the real merits of the question, whether or not the scheme of amalgamation was really calculated to be conducive to the benefit of the shareholders of the Bank of Bombay.

Mr. Macdonald said, he begged to move as an amendment:—"That in the opinion of this meeting, amalgamation is not desirable for the interests of the shareholders, and that a committee of shareholders be appointed, to be hereafter named, to take all necessary steps in conjunction with the directors for the reconstruction of the bank in communication and co-operation with government, and especially to urge on the local Government the claims of existing shareholders."

Mr. Bomanjee Cursetjee Punthucki seconded the amendment.

Mr. Currie wished to say a few words in reference to the proposition which they were told was unanimously approved of by the directors. He did not know whether the Honourable Mr. Brown's speech might be taken as supporting it, but in any case it seemed to him (Mr. Currie) that it was absolutely necessary that no further delay should occur, and that some steps should be adopted in the matter at once. The choice lay that day between amalgamation and reconstruction; but the proposal for amalgamation undoubtedly appeared to be the best plan, inasmuch as it pressed less heavily upon the shareholders, and gave them more time to pay up their calls; and as many of them did not possess large means, that would be acceptable to them. He thought the shareholders might very well rely upon the Directors taking care to assure themselves that the Bank of Bengal was in a sound and safe position before the scheme for the proposed amalgamation was practically carried out, and he could not suppose that the Directors would fail to take sufficient steps before any amalgamation was so carried out. With regard to reconstruction it appeared to him that that would be difficult, and that at least it would be a work of time. In the meantime it was absolutely necessary to do something. The party of reconstruction had had their innings, and the result of their efforts was such that he thought that it would make them ready to believe that reconstruction was not so easy as they had thought. With reference

to the question as to whether a reconstructed bank or an amalgamated bank would work best for the interests of trade and commerce in Bombay, he confessed that he did think an amalgamated bank—of course supposing the banks were in a good and safe position, and that the same facilities were offered for commercial transactions—would not be disadvantageous to Bombay. Such a bank would be the nucleus of a State Bank for all India; for he thought they might say that, practically, it would be a bank for all India if amalgamation was carried out. As to the question which his Honourable friend Mr. Foggo had alluded to in the letter which he read from a gallant officer nearly connected with the Government, he (Mr. Currie) believed, he confessed, that it was rather a difficult and delicate matter to discuss at a public meeting the position of the Government towards the bank; but he thought that whether the bank be reconstructed or amalgamated, the most that the Government could do would be to continue its business with the bank upon fair terms; and he feared if they went the length of rejecting the amalgamation scheme—a scheme which certainly did point out a mode of extricating the bank from its present position of difficulty—and expected that money would be forthcoming from the Imperial funds to enable them to carry out a reconstruction, they would have to wait long, and perhaps be disappointed. If they continued in their present position, doing nothing, and taking no steps to get out of their difficulties, they would be giving the Government a reason for withholding help, upon the principle that they did not help those who did not care to help themselves. For these reasons he begged to support the amended scheme of amalgamation approved of by the Directors.

The Chairman: There is now before the meeting a resolution intended to elicit an expression of opinion from the shareholders, as to whether it is advisable to accept the terms for amalgamating with the Bank of Bengal, recommended by the Directors. We have also to consider the amendment proposed by Mr. Macdonald, introducing the counter proposal to reconstruct the bank with capital to be raised in Bombay. Having these two schemes laid before us, we are led to compare the advantages offered by each, especially as affecting our interests as shareholders in the old Bank of Bombay. The Directors have unanimously recommended you to agree to amalgamation—not because they were in any way committed to do so, but because, after careful consideration, they have come to the conclusion that it offers more certain advantages. Being one of the Directors, I am, of course, in favour of amalgamation, and I shall be glad to state my reasons. In the first place, then, I do not now feel at all confident that it is possible to raise the capital necessary to reconstruct the bank as proposed by the committee, or required by Government.* I believe that not more than 4,000 shares, representing about 20 lacs, have yet been applied for, and some applications have, I know, been made by men who are in favour of amalgamation; but even had a larger number of shares been applied for, I think there would probably be some disappointment when cash was called for. No one who takes the trouble to examine our list of shareholders can believe that the necessary capital can be raised by them; but supposing this difficulty can be got over by the aid of subscriptions from the outside public, the reconstructed bank would be literally a new bank with a new body of proprietors, and the privileges which by right belong to our old shareholders would be the inducement offered to outsiders to subscribe capital. The only privilege reserved for the old shareholders in the plan for reconstruction, was a prior right to the allotment of new shares; but this can no longer be considered a privilege when it is found that the public hesitate to accept such shares even at par. I take it that the first duty of the Directors is to study the interests of the shareholders they have hitherto represented; and I cannot help feeling that were I to support the proposed reconstruction I should be deserting those shareholders who cannot take up new shares, in favour of outsiders who are more fortunate in being able to subscribe capital. Now with regard to amalgamation, the advantages, at least to our shareholders, would be certain; while the additional capital they would have to raise would be smaller and the periods for payment more generally convenient. We should at once have a stronger bank, and our shareholders would obtain scrip yielding dividend, of a sounder and more saleable description. As for those who have not funds to take up the new issue, I need hardly point out that shares which may be said to represent an interest in the Bank of Bengal would command a better price in the market, or be more readily accepted as security for advances than shares which merely carry with them a right to an allotment in a new concern. It seems to me, that as far as the interests of our shareholders are concerned, the arrangements are all in favour of joining the Bank of Bengal, but it is only right that we should also consider the matter from a public point of view, as affecting the trade of Bombay; but even in this respect, I cannot see that we have any cause to fear any practical disadvantage from such a measure. Bombay would always have a sufficient amount of capital set apart for its own use under the management of a local Board of Directors, and the general control from head quarters could only be a source of additional security to all connected with the bank. The interests of both Presidencies would be identical, so that we need not fear any obstacles would be thrown in the way of a sound and profitable business; while in time of pressure, the one presidency would be better able to relieve the other, to their mutual advantage. In addressing the meeting at the commencement of the proceedings, the Honourable Mr. Foggo stated emphatically, that the plan for reconstruction had not received fair play. Now, I cannot see what grounds there are for such an assertion. The directors, acting upon what appeared to be the wish of the shareholders, called a private meeting to consider the question of reconstructing the bank; and when a committee was appointed to consider the best means of carrying out this object, the directors afforded them

* See Appendix C.

them every assistance in their power, and joined them in appealing to Government for support in the event of its being possible to re-establish the bank. They afterwards published and circulated the terms decided to be most desirable for reconstructing the bank, and this is more than they have yet done for the amalgamation scheme. Both Mr. Macdonald and Mr. Foggo laid great stress on the telegram from London received by Sir Charles Forbes & Co., to the effect, that the Secretary of State had expressed himself in favour of reconstruction. The interview referred to in this telegram, arose, no doubt, from letters which were written rather more than a month ago, at a time when there appeared to be some difficulty in the negotiations with Bengal, and when we thought that the scheme for amalgamation might have to be abandoned. It was at that time we appealed to our Government, and several letters were written to influential men at home, with the same object. I, myself, wrote to Mr. Crawford, asking him to use his influence in support of our shareholders in the event of an attempt being made to reconstruct the bank. But the aspect of affairs has materially changed since then; the terms for amalgamation are now on a footing much more favourable to our shareholders, while the reconstruction of the bank does not now appear so feasible as we then supposed. In any case, I do not see that this telegram need prevent our giving an independent expression of opinion as to what we, as shareholders, may consider most favourable to our own interests; and I have no doubt our opinion will receive due weight with Government or the Secretary of State. On the whole, the directors recommend amalgamation, because they consider that it is the course which will make the most of the shares you now hold; while they cannot but feel with regard to reconstruction, that you would be staking everything on what may possibly prove a failure. I will now put the amendment proposed by Mr. Macdonald to the meeting.

After the usual show of hands had been taken, a poll was demanded; when the following gentlemen voted in favour of the resolution for amalgamation:—Col. Lewis Pelly, A. F. Bellasis, Esq., Charles Currey, Esq., Brigadier General Russell, J. P. Green, Esq., W. H. Havelock, Esq., General Rivers, S. C. Powalla, Esq., C. P. Powalla, Esq., Dorabjee P. Powalla, Esq., N. Spencer, Esq., Byranjee C. Bottlewalla, Esq., &c.

Representing in their own right	-	-	56	votes.
Represented by proxies	-	-	81	"
Total				- - - 137 "

And for the amendment for reconstruction:—Capt. Young, Henry Maxwell, Esq., A. J. Macdonald, Esq., John Connon, Esq., Eduljee Nusserwanjee, Esq., Hon. George Foggo, Bomanjee Cursetjee, Esq., Muncherjee Cowasjee, Esq., Tapidass Vurjeedass, Esq., Moosa Khan Ebrahim, Esq., D. Macpherson, Esq., for Bombay Presidency Bank, J. A. Forbes, Esq., A. D. De Souza, Esq., M. De Souza, Esq., George Foggo, administrator of estate of the late Captain V. F. Kennett, &c.

Representing in their own right	-	-	27	votes.
Represented by proxies	-	-	107	"
Total				- - - 134 "

APPENDIX (A.)

"The following is the proposal (subject to the confirmation of the shareholders of the respective banks) for the amalgamation of the Banks of Bengal and Bombay, to be incorporated by Government charter, under a new name, which is to be submitted to the meeting of shareholders convened for the 4th of June next. The proposal is also subject to the approval of Government, and the concession by them of certain privileges contemplated in the formation of a new bank:—

"Additional capital to be raised 1,42,03,750 rupees, and to be allotted at a uniform premium of 20 per cent. as under:—

First Call.

Payable between 30th June and 31st December 1867.

	Rs.	a.		Rs.	a.	Rs.
Bengal	-	35,75,000, or 162	8 per share of	1,000; premium	32	8; total 195.
Bombay	-	31,35,000, or 300	0 per two shares of	500 each; premium	60	0; total 360.

Rs. 67,10,000

"Allotments due in respect of first call, if paid on 30th June 1867, will carry the dividend for half-year ending 31st December next.

"Allotments paid not later than 30th September next, will carry three months' dividend.

"Allotments unpaid on 31st December, will be absolutely forfeited, so far as regards the first call; but the original shares in the Bank of Bombay, in respect of which the first call

has not been paid on 31st December, shall nevertheless be entitled to, and carry, a right to a rateable proportion of the second call payable between 31st December 1867, and 30th June 1868.

Second Call.

Payable between 31st December 1867, and 30th June 1868.

	Rs.	Rs.	a.	Rs.	Rs.	a.	Rs.
Bengal -	35,75,000, or 162	8	per share of	1,000; premium	32	8; total	195.
Bombay -	39,18,750, or 375	0	per two shares of	500 each; premium	75	0; total	450.

Rs. 74,93,750

"Allotments due in respect of second call, if paid on 31st December 1867, will carry the dividend for half-year ending 30th June 1868.

"Allotments paid not later than 31st March 1868, will carry three months' dividend.

"Allotments unpaid on 30th June 1868, will be absolutely forfeited.

ABSTRACT.

	Bengal,	Bombay.	TOTAL,
	Rs.	Rs.	Rs.
First call - - - - -	35,75,000	31,35,000	67,10,000
Premium - - - - -	7,15,000	6,27,000	13,42,000
Second call - - - - -	35,75,000	39,18,750	74,93,750
Premium - - - - -	7,15,000	7,83,750	14,98,750
Total capital - - - - -	71,50,000	70,53,750	142,03,750
Total premium - - - - -	14,30,000	14,10,750	28,40,750

"On payment of first call of 300 rupees, with premium of 60 rupees per share, and on production of the share certificates, the shareholders in the Bank of Bombay, will receive receipts, which may be subdivided and transferred in sums of 250 rupees each and upwards, the holders of such transfer receipts being entitled to participation in second call, so in like manner receipts will be issued to the shareholders in the Bank of Bengal under similar conditions.

"On payment of the second call of 375 rupees per share, together with the premium of 75 rupees, holders of stock receipts issued to Bombay, will be entitled to receive certificates of consolidated stock for the full amount, or if practicable, certificates of shares in even sums of 1,000 rupees each in the incorporated bank, the relative scrip for Bengal being dealt with precisely in the same manner."

APPENDIX (B.)

PLAN FOR THE FORMATION OF A NEW BANK OF BOMBAY.

Name.—New Bank of Bombay.

Capital.—Rupees One Crore, in 20,000 shares of 500 rupees each. First issue, 10,000 shares.

Constitution and Objects.—Similar to the present bank, as amended by recent enactments.

Creation of Capital.—Subscriptions to be immediately invited from the present shareholders and the public for the first issue of 10,000 shares at par, in the allotment of which the said shareholders shall have the preference to the extent of one share for every two shares now held by them, the shares not taken up by them to be allotted to the public, the applications from whom shall be considered according to priority. Five per cent., or 25 rupees per share, to be paid on application for shares (to be invested in Government paper in the names of two members of the Provisional Committee, pending the formation of the new bank).

The sum of 225 rupees, being the balance of 250 rupees per share, to be paid on allotment (which will probably be made on or about the 1st day of July next), and the further sum of 250 rupees (making up the full amount of 500 rupees per share) to be paid in two months after allotment. Payments on these shares are to be made in cash, alike by the shareholders and the public, and interest at the rate of five per cent. shall be allowed on all payments made in advance. If the monies due on allotment be not paid within 10 days, the allotment will be cancelled, and the deposit money will be forfeited, and on all sums due, interest will be charged at a rate not less than 12 per cent. per annum.

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The remaining 10,000 shares of the new capital shall be reserved for the holders of shares in the present Bank of Bombay at the time when the allotment of the said balance of shares shall be made, in the proportion of one new share for two old shares.

The last-mentioned allotment shall be made when the assets realised from the old bank shall, after providing for all its liabilities, amount to the sum of ten lacs of rupees, when the sum of 100 rupees shall be credited on each share so allotted, and further sums of 100 rupees per share shall be credited from time to time on the said shares as and when the surplus assets realised from the old bank shall be sufficient for that purpose.

It shall be competent for the directors to enforce payment of any balance due on the shares forming the second issue at the expiration of two years from the formation of the new bank, by a call on the holders of the said shares. If the assets of the old bank prove more than sufficient to provide for the payment in full of the amount due on the second issue of shares, the balance shall be returned to the holders of shares forming the second issue.

The present bank shall be placed in voluntary liquidation, and shall hand over to the new Bank of Bombay all the current and deposit accounts of the old bank, with sufficient cash and approved assets to cover the same, save as to the deposit account of Government, in respect of which separate arrangements are to be made. The new Bank of Bombay shall allow the old bank interest on all balances from time to time standing to credit of the latter in account with them, at the rate of five per cent., and shall be entitled to charge interest at the highest rate current for all advances made by them and standing to debit of the said account.

This plan proceeds on the assumption that Government will consent to transfer their deposit account to the new bank for a fixed period, and on terms favourable to the proprietors, and also to continue their interest therein as shareholders.

APPENDIX (C).

COPY OF CORRESPONDENCE BETWEEN THE BANK AND THE GOVERNMENT OF BOMBAY.

(No. 576 of 1867.)

To *F. S. Chapman, Esq.*, Chief Secretary to Government, Financial Department, Bombay.

Sir,

Bank of Bombay,
Bombay, 16 April 1867.

I HAVE the honour, by desire of the directors of the bank, to state, that at a meeting of shareholders held to-day for the purpose of electing a director, the correspondence with the Bank of Bengal regarding the proposed terms for the amalgamation of the two banks was duly submitted to the meeting, with the view of eliciting the expression of their views on the subject.

2. The terms proposed appear not to meet with the cordial support of a large section of the commercial public, and an opinion seemed to be entertained that the present shareholders should be invited to make an effort to subscribe a sufficient amount of new capital, not less than 50 lacs of rupees, to reconstruct the present bank, rather than accept the terms now offered for the amalgamation with the Bank of Bengal.

3. Before taking such a measure into consideration, the directors are anxious to obtain some assurance that, in the event of their being able to raise 50 lacs, which they consider sufficient amount of capital to commence with, towards the formation of a new bank, the business of Government would be continued after the expiration of the agreement in March next.

4. Should Government be of opinion that the amount of paid-up capital in the new bank should exceed 50 lacs, the directors would be glad to have some idea of the amount which, in the opinion of Government, would justify a renewal of the agreement.

5. On the realisation of the assets of the present bank, a further sum of 50 lacs would be called up, giving a total capital of one crore of rupees for the new bank.

6. The directors believe, from the opinions expressed to-day, that in the event of an assurance of this kind being given by Government, the shareholders in Bombay would use every effort to raise the requisite amount of capital rather than amalgamate with the bank of Bengal.

7. As the Secretary to the Bank of Bengal is now on his way to Bombay, to consult with the Directors of the Bank, it is of the utmost importance that an early reply should be given, and I am therefore directed most respectfully to request that Government will be pleased to give the subject immediate attention, and favour me with their views at their earliest convenience.

I have, &c.
(signed) *John Stuart*, Secretary and Treasurer.

(Immediate—No. 584 of 1867.—Financial Department.)

To *John Stuart*, Esq., Secretary and Treasurer, Bank of Bombay.

Sir,

Bombay Castle, 18 May 1867.

I AM directed to acknowledge the receipt of your letter, No. 576, of the 16th ultimo, and in reply to request that you will communicate the following reply to the joint committee of directors and shareholders of the Bank of Bombay.

2. There is every disposition on the part of the Government of India and this Government to give the directors and shareholders an opportunity of resuscitating the Bombay Bank, provided the necessary amount of capital can be subscribed and made available; and if what is considered necessary can be done by the directors, the old arrangements regarding the cash balances will be maintained, provided the Secretary of State concurs.

3. But I am desired to state that the Government of India do not consider that 50 lacs of rupees will suffice, and are of opinion that the present assets of the bank, so far as they are at present informed, are of so uncertain a character, and may take so long a time to realise, that no dependence can be placed on them to make good any considerable portion of the capital of the new bank.

4. The Government of India are therefore of opinion that, as an adequate basis for the reconstruction of the bank, it would be requisite that there should be subscribed and paid up a capital of one million—50 lacs to be paid up on the 1st of August, and 50 lacs in March next, when the present agreement expires.

5. I am further to observe that it will be necessary to establish an efficient control over the management of the new bank.

I have, &c.

(signed) *H. E. Jacomb*,

For Acting Chief Secretary to Government.

AMALGAMATION OF THE BANKS OF BENGAL AND BOMBAY.

THE MEETING AT CALCUTTA.

PURSUANT to advertisement, a meeting of the proprietors of the Bank of Bengal was held in the bank premises at Calcutta, on 14th June, at 11 o'clock in the forenoon. The meeting was very numerous attended, and among the gentlemen present we observed—The Hon. Mr. Seton-Karr, Dr. Baillie, Messrs. J. H. Fergusson, R. B. Chapman, C. S. Hogg (Administrator General of Bengal), J. M. Robinson, J. A. Crawford, Dr. Chuckerbutty, Messrs. R. A. Lyell, John Cowie, B. S. Collins, Baboo Ramanauth Saw, A. G. Roussac, S. Gladstone, E. C. Morgan, W. Wood, A. G. Watt, H. Crooke, Baboo Prosonauth Dutt, R. L. Mangles, J. R. Cockerell, J. W. Mirfield, J. W. Lowe, and H. Scott Moncrieff.

It was proposed and seconded by the Hon. Mr. Seton-Karr, that Mr. R. S. Moncrieff take the chair.

Mr. Moncrieff on taking the chair, called upon the Secretary to read the advertisement convening the meeting, and this having been done—

The Chairman said that the meeting had been called together for the purpose of taking into consideration a scheme with which the public were well acquainted, and which had been for some time past the subject of much discussion, and also for an expression of their opinion regarding the proposed amalgamation of the Bank of Bengal with that of Bombay,—amalgamation he could scarcely call it, as a difficulty presented itself at the outset which would have the effect of preventing it being called by that name, and that was that the Bank of Bombay was to be put into liquidation. This was made a *sine qua non* in all the proposals, and would of course prevent an amalgamation. Strictly speaking it meant a very large extension of the business of the Bank of Bengal, without any alteration in the existing charter. The proposal for a State bank for all India was not a new one, and the directors would not have brought the matter before the shareholders, but that the scheme was thought ripe for the proprietors expressing their opinion as to the advisability of the Bank of Bengal coming to the assistance of the Bank of Bombay. The invitation had proceeded, he (the Chairman) might mention, from the Bank of Bombay some time ago, when there were many and painful doubts as to the solvency of that institution; and the invitation was something to the effect that the Bank of Bengal should come forward and take the Bank of Bombay by the hand, and save the shareholders from ruin with honour to themselves, and enable them to retrieve the shattered fortunes of the bank. Such a measure, he was aware, was looked favourably upon by the shareholders of the Bombay Bank themselves, who would be glad to see an establishment like the Bank of Bengal in their midst. But it was a matter for grave consideration, whether it was right and proper for the Bank of Bengal to extend its branches and its business to such an extent, and commit themselves to fresh complications. The system under which the Bank

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of Bengal was conducted, had been worked for many years, and had been thoroughly tested, and he (the Chairman) expressed his opinion that even with the extension of the business there was but little danger, unless through some unforeseen circumstances, of that system breaking down. Looking to the field for banking operations in Bombay, the question came to be whether it would be advisable to establish a branch there. Some of the shareholders in Bombay had evinced great sensitiveness with regard to the interference with their monetary arrangements; and, with regard to the scheme of amalgamation, the directors were prepared to find many of the shareholders question the propriety of such a step. The directors had been careful to make no invitation to Bombay, and to make no recommendation whatever on the subject, unless they were armed with the entire confidence of the proprietors, and until the entire question in all its bearings had been fully discussed. When it was seen that the amalgamation could not be decided on, certain proposals had been made to the Bank of Bombay, and a correspondence had ensued. It was then proposed that Mr. Dickson, the very able and efficient secretary of the Bank of Bengal, should proceed to Bombay himself, and there endeavour to arrange matters. However inconvenient it might have been for the directors to lose the important services of the secretary, for even a short time, it was decided that that gentleman should go over, and accordingly he went; but had the directors foreseen the opposition which had been shown in Bombay, and known that the mission would have proved anything but acceptable, it is doubtful whether Mr. Dickson would have had to undergo the trouble, labour, and annoyance to which he had been subjected. After, however, a period of delicate negotiations, they eventually found themselves in a position to lay the proposal of amalgamation safely and finally before both banks. The proposal and its basis had been for some time before the public in the newspapers. Mr. Dickson had not yet returned to Calcutta, and it was at one time deemed advisable to postpone the meeting on that account, but it was felt that it was desirable that the proprietors should, without further delay, be made fully acquainted with the question. He (the Chairman) was not surprised, nor would the meeting be, after what he had said, at the divided opinion prevailing in Bombay; as, on the votes being taken on the question, there was nearly an equal number for it as against it, and the majority was a meagre one of three. The directors of the Bank of Bombay have agreed to hold another meeting two months hence, and then finally decide the question. In the meantime, the directors of the Bank of Bengal hoped they would be able to go on with the arrangements as to the proposed amalgamation; but if they found that the shareholders in Bombay were opposed to it, they (the directors of the Bank of Bengal) would then be prepared to adopt another course. At the meeting in Bombay to which he had referred, several very pertinent remarks had been made by shareholders as to the state of the finances of the Bank of Bengal. Some of these questions might have raised a smile at this side, considering the bank's position, but they could easily and satisfactorily have been answered, as would, he hoped, any questions asked there. The directors invited the fullest inquiry into the state of matters here. He (the Chairman) did not think he need trouble the meeting with any further remarks, but would finally call attention to the terms on which the amalgamation was proposed to be carried out. They have been circulated, and had appeared in all the newspapers, but he begged to call attention to them. They were as follows:—[Mr. Moncrieff then read the amended terms, which have been agreed to by the directors of both banks.] The meeting would find (continued the Chairman) that certain dates mentioned in the proposal would require alteration, that necessity having arisen in consequence of the delay which had taken place in Bombay. The proposal for amalgamation would, the Chairman said, not at all commit the proprietors of the Bank of Bengal, nor in any way mix them up with what he might call the present unfathomable liabilities of the Bank of Bombay. Should the proposal be agreed to, the directors were prepared to enter the field in Bombay, and to establish branches elsewhere under the new institution.

The Hon. Mr. Seton-Karr said that he, and he was sure the other proprietors also, were very much obliged for the information given by the chairman, which quite cleared the Bank of Bengal from any liability. But he wished to know the exact nature of the way in which the dividends would be calculated after the amalgamation took place (if it did take place), and how matters would be carried on between the banks.

The Chairman replied that with regard to the calculation of the dividend, it would be the same as now—that is, that the profits of all the branches would be included.

Baboo Prosonauth Dutt, who came provided with an ear trumpet and a lengthy and elaborate essay, desired to read the latter to the meeting, which he proceeded to do. It was to the effect that he had full confidence in the directors, and was thankful for the great ability they had displayed in trying times; but that should not prevent the shareholders from inquiring whether amalgamation was safe. He observed, naively, that the present management could not last for ever, and he would briefly sum up the proposed amalgamation thus:—that the extension of business would impair the efficiency of the present control. The prospects of a large dividend might end in a loss of capital. A great loss had already taken place in Bombay; and what guarantee could be given that some such loss would not occur again? A bank managed in another Presidency could not, he thought, be effective in Bombay; the failure of one wheel deranged an entire machine, and he thought the bank was greatly increasing its responsibility.

Mr. C. Lazarus here asked the chairman if the Baboo was in order?

The Baboo (who is deaf) proceeded to comment upon the hostility evinced to the proposal in Bombay, and concluded by advising that every legitimate help be given to the Bank of Bombay.

Dr. Chuckerbutty remarked that he was not aware of any substantive resolution being before the meeting. They were talking without having anything tangible to act on.

The Chairman said that a resolution would be proposed later.

Mr. C. S. Hogg said that he was not in the habit of attending these meetings, but that he came there that day to represent, as a trustee, a large and influential body of constituents; not for the purpose of discussing whether a slight advantage might be added to a dividend, but what was to be the permanent advantage to widows and to children? He (Mr. Hogg) had had great doubts from the first as to the advisability of amalgamation, but at the same time he was fully aware that the affairs of the Bank of Bengal were in the hands of very able directors and secretary, and that they could not be very far wrong. But he thought that at the same time full explanation should be given as to how the management of the bank was to be administered. He would not allude to the recent losses at Bombay, but his feeling was that the direction there should not be left in the hands of the Bombay shareholders. Should there be a Board of management at Bombay, he (Mr. Hogg) would insist that it be a *sine qua non* that such Board should be entirely under the control of the Board at Calcutta. A sufficient display of courtesy to the Bombay Board should be evinced, but at the same time it must be clearly understood by them, and this plain dry matter of business stated plainly and distinctly. If such were the basis on which the amalgamation was proceeded with, he would support it; if not, he certainly should not approve the measure.

The Chairman said the Board of management would consist of seven directors, three to be nominated by Government, and four to be elected at a general meeting of proprietors to be held at Calcutta, the nominations to rest with the directors of the Bank of Bengal until a fresh charter is obtained. Two of the elected directors shall retire by rotation, on the 20th of January in each year, and shall not be eligible for re-election. The elected directors shall be possessed, in their own right, of at least 12,000 rupees of bank stock to qualify them for a seat in the direction, and shall be bound by the same conditions regarding disqualification as those laid down in the existing charter of the Bank of Bengal. The directors will meet every Friday at 10 o'clock in the bank parlour, three to form a quorum. The general management of the Bank in Bombay would involve a minimum capital, to be hereafter determined on being made available for the requirements of that office and its branches. The conduct of business to be in conformity with the charter and bye-laws of the Bank of Bengal now in force, or to be hereafter passed or enacted for the incorporated banks. A daily statement of transactions, as well as weekly, monthly, and quarterly statements in detail, would be furnished, and it was, he understood, fully believed in Bombay that the entire management would certainly be under the control of the Calcutta Board, subject of course to the local knowledge and experience of the Bombay Board.

Dr. Chuckerbutty said it appeared to him that very great advantages had been offered to the Bombay shareholders. It was doubtful whether any of the capital of the Bank of Bombay would be realised at all, yet he found that double the amount of stock per 1,000 rupees was given to the Bombay shareholders than to those of the Bank of Bengal. He (Dr. Chuckerbutty) thought it a most undue concession, considering the nature of the capital of the two banks. There were advantages to be derived from the raising of 70 odd lacs, but that sum could be easily raised in Bengal without going to Bombay at all.

Mr. Roussac begged to add that the Bank of Bengal was already established on so firm a footing that he could not see the force of going to Bombay at all, with a capital far more than Bombay could bring. The Bank of Bengal might establish a branch at Bombay, certainly; but he could not see the advantage of taking the Bank of Bengal's immense capital to Bombay, when so small a sum would be made for it.

The Chairman adverted to the terms of the charter, which limited the capital to three crores of rupees. They could only call up 80 lacs at present, and in approaching the question, consideration must be had to the amount the Bank of Bengal could lay down. Then they had to consider how much the Bombay shareholders could pay. It would not do to appear to take any advantage of the Bank of Bombay under the pretence of taking them out of their difficulties. The directors thought that if the proposal were agreed to, no difficulty could possibly exist in obtaining the transfer of the Government balances to the new bank. They would never dream of starting a branch without Government support, and, at the same time, it was but fair to give the Bombay shareholders a preference. He (the Chairman) thought that the proposal would generally receive the support of the shareholders, however the details might be altered, and did not think that too much had been paid for the arrangement.

The Hon. Mr. Seton-Karr wished to know, should the proposals read not be approved, what further steps would be taken by the directors?

The Chairman said that he had anticipated such a question being asked, and he begged to state that, in such a contingency, the directors were prepared at once to go up to Government for authority for the establishment of a branch at Bombay in March next.

Mr. C. S. Hogg said that he thought more details should be given regarding the appropriation of new stock. He suggested that the proportion should be as one to three, and if that left odd numbers, they should be left to be tendered for.

The Chairman said that the directors of the two banks had different capitals to deal with, in unequal proportions, which caused a difficulty of apportioning stock, which difficulty would not have arisen had they been equal. The question had been discussed, and fully considered, and it had ultimately been agreed that the proposed system should be adopted.

Mr.

Mr. Chapinan wished to know precisely what the advantage of a Bengal shareholder would be as compared with a shareholder of Bombay? How many old shares in the Bank of Bengal would entitle to one new, and how many in the Bank of Bombay?

The chairman replied that three shares and a fraction would carry one new share in Bengal; and two Bombay shares would be entitled to about 765 rupees of new stock.

Mr. Chapman thought they were paying dearly for their proportion.

Dr. Chuckerbutty wished to know whether the large reserve fund of the Bank of Bengal was to be at the disposal of the Bank of Bombay?

Mr. Lowe (barrister) said he would support the amalgamation if carried out under a new charter. The charter of the Bank of Bengal, it must be observed, was different from the Bank of Bombay. He would object to the amalgamation if the charter contained anything assimilating to the Bombay one. The Bombay charter had been altered, and since the alteration the heavy losses have been incurred.

The chairman said the rule would be that the charter was the same.

Mr. C. S. Hogg reverted to the mode of dividing the stock. He had tried it, and he could find no multiple by which to solve the question. Mr. Harrison perhaps might do it. (A laugh.) There should be a proportion of one to three. And he would wish to know what was to be done with the money remaining.

The chairman said that the capital was represented by stock which would come to 1,000 rupees. The directors had given the fullest consideration to the subject, and would, if they possibly could, simplify the matter. The suggestion would not be neglected.

Mr. Chapman said he wished to know what the Bengal shareholders were to pay those of Bombay for advantages they were to obtain?

Mr. Lazarus thought that the shareholders should be satisfied upon one point. He saw by the report of the meeting of the Bank of Bombay, that a Mr. Macdonald wished to know if the reserve fund of the bank was intact, and how it was secured.

The chairman said that the reserve fund amounted to 19½ lacs, invested in Government securities, and free of all liabilities.

Mr. Lazarus said an allusion had also been made to unpaid notes. What was that?

The chairman supposed it was an allusion to old notes—notes outstanding, of the value of under 60,000 rupees which were liable to be repaid, and which could easily be met by such a reserve fund as they had.

Mr. C. S. Hogg then moved the following resolution:—

“That the directors be empowered to make all arrangements necessary for carrying out the amalgamation with the Bank of Bombay on the basis accepted by the directors of the Bank of Bombay and the directors of the Bank of Bengal, subject to modification as to dates.”

Dr. Chuckerbutty considered the proposal of a resolution of this description premature. Their action should be confined to a vote of approval of what had been done. Another meeting should be held after the Bombay shareholders had finally settled.

The chairman explained that the resolution did not commit the direction. Should any modification come from Bombay, another meeting would be called.

Dr. Chuckerbutty withdrew any further opposition.

Mr. Murray seconded the resolution proposed by Mr. C. S. Hogg, which was put by the chair and carried unanimously, there not being one dissentient.

While the votes were being taken for the resolution, Mr. Roussac, who was in favour of it, held up his hand, but the chairman informed him that his right to vote was questioned, and his vote was not taken.

Mr. Lazarus said the question relative to the capital and unpaid notes had been answered. What about the bad debts?

The chairman said that special reference had been made to bad debts contracted at Rangoon. He was sorry to say that bad debts had been contracted there. The amount of protested bills exceeded a lac of rupees, the greater part of which it was expected would be recovered. Full particulars had not been received.

On the motion of the Hon. Mr. Seton-Karr, a vote of thanks was accorded to Mr. Moncrieff for his conduct in the chair, and the meeting broke up.

(No. 2695 of 1867.)

To the Chief Secretary to Government, Financial Department, Bombay.

Sir,

IN the subsidiary conditions for the transfer of the business of the Bank of Bombay to the Bank of Bengal, or the Incorporated Bank, there was the following:—

“Advances to the Bank of Bombay.

2. “Subject to approval of the securities, and provided it is competent to the Bank of Bengal under its existing charter, the directors undertake to advance to the Bank of Bombay, in liquidation, a sum not exceeding 17 lacs of rupees. With this object in view, the Directors of the Bank of Bombay will submit for Mr. Dickson’s examination such documents as they may desire to endorse, or otherwise make over, as collateral security for the loan above mentioned.

3. "In the event of such security not proving satisfactory, the Directors of the Bank of Bengal undertake to place at the disposal of Government a corresponding sum, for the purposes of liquidation of the Bank of Bombay, and for such period as they may desire, at the minimum rate of interest charged by the bank on loans on Government paper, leaving the Directors of the Bank of Bombay to make such subsidiary arrangement with Government as may be deemed necessary."

4. Mr. Dickson has examined the list of securities which the Bank of Bombay can offer; but although they represent ample security for more than the amount to be borrowed, yet they are not of such a nature as, under the charter of the Bank of Bengal, the bank could accept.

5. The directors would therefore solicit that Government should agree, pending the realization of a sufficient amount of assets, not to call up from the Bank of Bombay their reserve of 40 lacs. If, at any time during the currency of this liability, Government required the money, the Bank of Bengal to advance it to Government; Government would be secured by the whole assets of the Bank of Bombay, and the Bank of Bombay would pay the interest on the advance, subject to the conditions of the agreement.

6. This would leave (after allowing, say eight lacs as the value of the premises at Bombay and Kurrachee) only about 17 lacs, of the 65, to deal with; and this sum would also be advanced, if necessary, by the Bank of Bengal, on a guarantee from Government, who would be secured by a preferential lien over the assets of the bank; and the total advances made by Government, to assist in the liquidation of the Bank of Bombay, would be repaid before any portion of the capital could be returned to the shareholders.

I have, &c.
(signed) *J. Stuart*,
Secretary and Treasurer.

Bank of Bombay, Bombay, 29th May 1867.

(Financial Department.—No. 650 of 1867.)

To the Secretary and Treasurer, Bank of Bombay.

Sir,

Bombay Castle, 3 June 1867.

I AM directed, by the Right Honourable the Governor in Council, to request, with reference to your letter, No. 2695, of the 29th ultimo, that you will have the goodness to forward a list of the securities offered to, and declined by, the Bank of Bengal.

2. I am also desired to ask for a memorandum of the present state of the bank's loans and credits, showing the amount of those past due, and the dates at which the others will fall due.

I have, &c.
(signed) *M. J. Shaw Stewart*,
Acting Chief Secretary to Government.

(No. 2858 of 1867.)

To the Acting Chief Secretary to Government, Financial Department, Bombay.

Sir,

IN reply to your letter, No. 650, dated 3rd instant, I am directed to enclose a list, marked (A), of the securities offered to the Secretary of the Bank of Bengal, valued at 22,69,325 rupees.

2. You will observe that some of the properties have been sold for 6,29,726 rupees, and the conveyances are now being prepared for signature. As soon as this is done the balance of the purchase money, 4,45,545 rupees, will be paid.

3. I also enclose a memorandum, marked B, showing the present state of the bank's loans, credits, and bills current, and the dates at which they will become due, distinguishing those past due, as under:—

	Rs.
Due in June - - - - -	20,68,444
Due in July - - - - -	7,85,277
Due in August - - - - -	5,21,314
Bank's premises, Bombay and Kurrachee -	10,75,977
Total current - - - - -	44,51,012
Past due - - - - -	1,51,84,325
Total Investments Rs.	1,96,35,337

I have, &c.
(signed) *J. Stuart*,
Secretary and Treasurer.

Bank of Bombay, 12th June 1867.

(A.)

Property and other Securities on hand.

	<i>Rs.</i>
Chumar Baugh, Parell, per valuation attached - - - - -	1,42,280
Parell Hill - - - - - ditto - - - - -	25,000
Locksley Hall - - - - - ditto - - - - -	60,000
Foras Land, 1,26,000 yards at, say 4 annas per yard - - - - -	31,500
Jewels, say - - - - -	5,00,000
Promissory Note of Bombay Coast and River Steam Navigation Company, secured by mortgage of steamers "Tilly," "Lord Clyde," "Lord Elphinstone," "Sir Bartle Frere," and hulk "Herefordshire" (will be paid off within two months) - - - - -	3,00,000
Roger's Property at Byculla, sold in 1864 for 17 lacs; valued to Asiatic Bank, who advanced on it 8½ lacs, now worth, say - - - - -	5,00,000
Jevajee Manockjee, Shapoorjee Dhunjeebhoy, and Jeejeebhoy Dhunjeebhoy's debt to the Asiatic Bank, assigned to Bank, fully secured by property, and will be paid off within six months - - - - -	2,65,000
To be realised from properties sold, as per separate Statement - - - - -	4,45,545
TOTAL - - - <i>Rs.</i>	22,69,325

J. Stuart,
Secretary and Treasurer, Bank of Bombay.

Properties Sold, Earnest Money Paid, Balances to be Paid on Completion of Conveyance now in course of preparation.

	Sold for	Deposit.	Due.
	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>
Dhackjee Chawl - - - - -	2,00,000	50,000	1,50,000
Veterinary and Livery Stable Company's premises - - - - -	45,000	11,250	33,750
Hunter's Bungalow, Malabar Hill - - - - -	35,000	8,750	26,250
McCulloch's ditto - - ditto - - - - -	60,000	50,000	10,000
J. Umiashunker's house, Grand Portuguese street - - - - -	31,000	-	31,000
Byramjee Manockjee Wadia, two houses in Colaba - - - - -	15,500	3,875	11,625
One-fourth share in Coorla Property - - - - -	75,000	18,750	56,250
Matoonga Property - - - - -	56,000	14,000	42,000
Unjeer Bagh, Mazagon - - - - -	60,000	15,000	45,000
Zoolum ditto - ditto - - - - -	18,000	4,000	14,000
Hurry Govind Wallekur's house in Girgaum - - - - -	30,000	7,500	22,500
Ditto - ditto - ditto - Sion - - - - -	4,226	1,056	3,170
TOTAL - - - <i>Rs.</i>	6,29,726	1,84,181	4,45,545

(B.)

STATEMENT of the LOANS, CREDITS, and BILLS, on the 31st May 1867, showing the Amount falling due in each Month, and the Amount past due.

	Due in June.	Due in July.	Due in August.	Total Current.	Past Due.	Total Assets.
	<i>Rs. a. p.</i>	<i>Rs. a. p.</i>	<i>Rs. a. p.</i>	<i>Rs. a. p.</i>	<i>Rs. a. p.</i>	<i>Rs. a. p.</i>
Advances on Government Securities and guaranteed Railway Shares - - }	8,19,274 11 3	1,04,661 9 6	98,180 14 3	10,22,117 3 -	27,873 1 9	10,49,990 4 9
Advance on Government Paper irregular in endorsement - - - }	- - -	- - -	- - -	- - -	1,90,000 - -	1,90,000 - -
Advances on Property and Shares in public companies - - - }	75,676 11 11	- - -	- - -	75,676 11 11	78,86,930 3 2	79,62,606 15 1
Advances on Personal Security - - - }	1,40,576 13 11	- - -	- - -	1,40,576 13 11	5,78,688 3 4	7,19,265 1 3
Bill discounted - - -	3,96,119 14 5	5,61,115 7 8	2,23,133 13 8	11,80,369 3 9	65,00,833 13 -	76,81,203 - 9
Bills for collection, including balances with agents, and cash balance in Calcutta, Madras and Coutts & Co. - - - }	6,36,795 10 1	1,19,500 - -	2,00,000 - -	9,56,295 10 1	- - -	9,56,295 10 1
Bank Premises at Bombay and Kurrachee - - }	- - -	- - -	- - -	10,75,977 3 11	- - -	10,75,977 3 11
TOTAL - - - <i>Rs.</i>	20,68,443 13 7	7,85,277 1 2	5,21,314 11 11	44,51,012 14 7	1,51,84,325 5 3	1,96,35,338 3 10

Bank of Bombay, Bombay, }
11 June 1867.

R. Clark,
Officiating Accountant.

(Financial Department.—No. 787 of 1867.)

To the Secretary and Treasurer, Bank of Bombay.

Sir,

Bombay Castle, 1 July 1867.

I AM directed to acknowledge the receipt of your letter, No. 2858, dated the 12th, and No. 3007, dated the 22nd ultimo, and to reply as follows :—

2. The Right Honourable the Governor in Council has already informed you, in reply to your letter of the 29th May (No. 2695), that this Government could enter into no engagement until it is ascertained that the project for reconstitution has been definitely abandoned; and, looking to the result of the meeting of the 4th ultimo, which has to be confirmed by the shareholders on the 12th August, he considers it premature to give a guarantee which would only be required to meet an advance made by the Bank of Bengal on the ground of amalgamation having been arranged between the two institutions.

3. For the same reason his Excellency the Governor in Council feels himself precluded from expressing either approval or disapproval of the terms of amalgamation reported by you.

4. With reference, however, to the stipulation contained in the paper, marked Appendix (A), enclosed in your letter of the 22nd ultimo, that the proposal for the amalgamation of the banks should be subject to the concession by Government of certain privileges contemplated in the plan for the formation of a new bank, I am directed to observe that Government has hitherto given no opinion as to the propriety of any such concessions in the event of the formation of a new bank, and it by no means follows that it would be thought expedient to extend to an amalgamated bank concessions which might be necessary in the case of the reconstruction of the existing bank.

I have, &c.
(signed) M. J. Shaw Stewart,
Acting Chief Secretary to Government.

(No. 168 of 1867.—Government of India.—Financial Department.—Accounts.)

To the Right Honourable the Secretary of State for India.

Sir,

Simla, 18 July 1867.

IN continuation of our Despatch in this Department, dated 3rd instant, No. 156, we have the honour to forward copies of the papers noted in the sub-joined list, regarding the proposed amalgamation of the Bank of Bombay with the Bank of Bengal.

We have, &c.
(signed) *John Lawrence.*
W. R. Mansfield.
H. S. Maine.
G. N. Taylor.
W. N. Massey.
H. M. Durand.
G. U. Yule.

LIST OF PAPERS.

	PAGE	
Minute by his Excellency Sir W. R. Mansfield, K.C.B., dated 2 July 1867*		
Minute by the Right Honourable W. N. Massey, dated 11 July 1867 - - -	141	° Already printed, vide page 119.
Minute by his Excellency the Governor General, dated 12 July 1867 - - -	144	
Minute by Major General the Honourable Sir H. M. Durand, C.B., K.C.S.I., dated 13 July 1867 - - -	146	
Two Minutes by the Honourable Sir George U. Yule, K.C.S.I., dated respectively 2 and 15 July 1867 - - -	150	
Minute by the Honourable G. N. Taylor, dated 16 July 1867 - - -	151	
Minute by the Honourable H. S. Maine, dated 17 July 1867 - - -	152	
Minute by his Excellency Sir W. R. Mansfield, K.C.B., dated 18 July 1867 - - -	152	

MINUTE by the Right Honourable *W. N. Massey*, dated 11th July 1867.

THE arrangements pending for the reconstruction of the Bank of Bombay, either on an independent basis or in connection with the Bank of Bengal, have raised the important question whether it is expedient to maintain the existing relations of the Government with the Presidency banks in the capacity of shareholder.

The Government is, I think, under an implied obligation to continue its connection as a shareholder in the Bank of Bengal during the term of the existing contract; but we should decline to subscribe for any portion of the capital of the New Bank of Bombay, whether it be reconstructed as an independent bank, or in union with the Bank of Bengal.

It must be admitted that the position of Government as a shareholder in a joint-stock bank is altogether anomalous, and it is for those who advocate the maintenance of such a relation to justify it on grounds of policy and convenience.

The profits of banking are not a legitimate source of revenue to the State, inasmuch as Government is wholly unfitted to conduct the business of a bank; but the Government which is a partner in a joint-stock bank cannot be a sleeping partner. It is specially represented at the Board of Management, and the presence of the Government nominees on the direction, is regarded by the general body of the shareholders and the customers of the bank, not only that its business will be properly conducted, but as an assurance of its stability. In fact, a bank so constituted is virtually a guaranteed bank, and thus the Government becomes responsible for the solvency of institutions, the transactions and interests of which are intimately involved in the fortunes of commerce. A bank with which the State is thus connected by partnership must always be in a condition to fulfil its engagements, for it is impossible to suppose that the Government could, under any circumstances, acquit itself of its responsibility by merely sacrificing the treasury balances, and falling back upon the position of limited liability as a shareholder in a joint stock company.

And for what is this responsibility incurred?

It is urged that both the European and Native community would desire to maintain the subsisting

subsisting connection between the Government and the Presidency banks, that the shares of the bank are purchased with the same feeling of security as the purchase of Government stock, and that if the Government were to withdraw from partnership in these institutions, not only would the shares be depreciated, but a general belief would arise that, in the event of pressure, the treasury balances would be removed, and the banks left to their fate.

It may be conceded that the Indian public generally desire no change in the existing relations between the Government and the banks. The shareholders would, of course, be unwilling to lose the additional security which their property acquires by the partnership of the State, while an investment which offers the profits of a joint-stock company with a security nearly equal to that of the public funds, must always be desirable. In like manner, depositors, including the local banks, which keep their balances with the Presidency banks, would prefer having dealings with an institution virtually guaranteed by the State, than with an independent establishment. But are these reasons for pledging the credit of the State for the support of the banks? I venture to think not.

I admit, however, that the sudden severance by the Government of its proprietary connection with the banks would probably cause a fall in the value of the shares, from which they would not soon recover. The Government, therefore, would hardly be justified in exercising its rights like an ordinary shareholder. It is bound to recognise the fact that the property of the bank has acquired a special value by being, to the extent of one-twelfth, public property; and if it be expedient that the State should be relieved of the responsibility which this property entails, the shareholders have a fair claim to expect ample notice before they are deprived of the security which they indirectly derive from their partnership with the State.

A bank which is entrusted with the custody of the Treasury balances should be established on an adequate basis of capital and credit wholly independent of the Government. A bank so constituted, with the State for its customer, should be in a position of unrivalled prestige and credit; but if it is still necessary for the safety of the revenue that the Government should associate itself in partnership with its banker, it would surely be far better to revert to the former practice of conducting the Treasury business in a separate department. Such an arrangement would be less convenient and more costly than banking, but, at least, it would be safe, and would keep the Government apart from engagements and liabilities with which, in my opinion, it should have no concern. I am far, however, from desiring to return to a system less suitable to the extensive transactions of the Government than the agency of the banks; but I would limit the relations of the Government with the Presidency banks strictly to that of customer and banker. I object to the State being a member of a joint-stock banking partnership, as a position anomalous and unseemly, fraught with danger and discredit; and, whatever might have been the case in former times, as now obsolete and unnecessary.

Since the above was written, I have seen Sir W. Mansfield's Minute, in which the opposite view of the question is presented. Great weight, I need hardly say, is due to his Excellency's opinions, concurred in, as they are, by the Governor General and all my colleagues; but after a careful consideration of this able paper, I cannot assent to its conclusions.

I venture to think that these conclusions are drawn from inadequate, and in some degree from incorrect premises. It is unnecessary to question, though I do not entirely agree with, all the allegations contained in the early part of the Minute referred to, from paragraph 4 to 11 inclusive; but I cannot admit the inference drawn in the succeeding paragraphs, namely, that the connection of partnership is necessary for the objects and duties committed by Government to the care of the Presidency banks. All that the Government can require from a bank which it employs for the transaction of its business, is an adequate capital, and a conformity to such rules in the conduct of its general business as the Government may think fit to prescribe.

Sir W. Mansfield points to the recent history of the Bank of Bombay as showing the advantages of the connection which his Excellency desires to maintain. Advantages there undoubtedly were, but all these advantages were on the side of the creditors of the bank. It would be understating the case to say that the position of the Bank of Bombay was, and is, that of an insolvent whose liabilities are covered by a responsible guarantor. A guarantee would extend only to the debts of the partnership; but the Government, by the course which it pursued, went much further than this. In the summer of 1865 the bank was hard pressed; its shares fell below par; but no sooner was it announced that the bank was supported by the unlimited credit of the Government, than the depositors brought back the balances which they had withdrawn, and the shares rose to 60 premium. At that time the bank had absolutely lost half of its capital, and had two millions sterling of outstanding credits, which have since proved to be worthless. Thus, in consequence of the action of the Government, the public were induced to repose confidence in an establishment which was unworthy of confidence, and to give 160 *l.* for property which was not worth more than 25 *l.* But could the Government have refrained from interference? Could they have taken any other course than they did take? I think not. They were partners in the bank; they were directors of the bank. The difficulties (since ascertained to have been the ruin) of the bank, had been mainly caused by the culpable remissness of those Government directors. Sir W. Mansfield admits this to be the fact; but when his Excellency blames
the

the Government directors he blames the Government itself, which must be responsible for the acts of its officers and nominees. The public, we are reminded, repose confidence in these institutions on account of their connection with the Government. Confidence so accepted must be repaid by security. The creditors of a joint-stock company in which the Government is a partner cannot be dismissed with a dividend. So much, I presume, will be conceded, although there is no legal liability in the Government beyond that which attaches to any other shareholder; but does this moral liability rest here? Why, in this very case of the Bank of Bombay, an officer of high rank and reputation has stood forth and deliberately asserted the claim of the shareholders to indemnity at the hands of the Government. I am far from admitting that such a claim can be sustained; but I do say it is unseemly and impolitic for the Government to place itself in such a position that a question of this kind can be raised.

Sir W. Mansfield then proceeds to excuse the anomalous relations of the Government with the banks, by the peculiar circumstances and usages of this country. If it can be made out that banking, like railways and irrigation works, requires the aid and superintendence of the State, I would give such aid, but not in the objectionable form in which it is now given. Railway and irrigation companies are aided by State guarantees, loans, and subventions, which involve liabilities of a character very different from those which partnership and management entail. A guarantee is a defined and limited responsibility; a loan is granted on terms and securities for repayment. A subvention is simply the contribution of the State to some undertaking or institution of public importance. Neither of these modes of aiding private enterprise engaged in undertakings in which the public interests are concerned, is peculiar to this country. Guarantees have been sometimes given by the British Government, as in the recent instance of the Red Sea Telegraph; a loan is the most ordinary form in which money is granted in England for public or quasi-public purposes. But in no case, so far as my knowledge goes, has the British Government mixed itself up by way of partnership and joint management with the fortunes of private companies. Why, then, must relations of this character, which even in India are exceptional, be maintained with banking companies? In the infancy of States, banks, as well as other institutions necessary for the organization of civil society, may stand in need of the immediate protection of the Government; but when a community has passed through the early stages of progress, as India has long since done, the more it is left free to pursue its own career, the better will it be for its growth in vigour and prosperity. Banking is merely an agency, by means of which the transactions of trade and commerce, as well as those of other classes not engaged in trade and commerce, are conveniently conducted; and it is the business of those who employ such agency to take their own measures for ascertaining its credit and sufficiency. According to Sir W. Mansfield, "no large enterprise flourishes, it may be said none can exist, without the fostering care of the State." Applying this assertion to banking, with which alone we are at present concerned, is it borne out by facts? Are there no banks in India but guaranteed banks? I need only refer to the various chartered and joint-stock banking companies representing a vast mass of capital and credit, and regularly dividing large profits during a long series of years. Some of these establishments were involved in the ruin of last year, but it is a fact that the proportion of the Indian failures was less, both in number and amount, than that of the English banks. I will take the first on the list of Indian banks, the Agra and Masterman's, the shares of which, a twelvemonth ago, were at more than 100 per cent. premium. That bank was ruined by mismanagement almost as gross as that of the Government directors, which pulled down the Presidency bank of Bombay. But within the last few months, the Agra bank has been reconstructed, and has already acquired so much credit that its shares are quoted 10 per cent. above par.

One word on the general question of credit as applied to Indian enterprise. It is said that it is an anomaly for the State to guarantee railway dividends, and to lend capital to private companies engaged in great public works. I have already shown that, so far as English precedents have any authority, there is nothing anomalous in such proceedings. The Government of India has recently made advances at the rate of two lakhs of rupees monthly to the East India Irrigation Company, to enable them to push on their works in the famine-stricken district of Orissa; and Sir W. Mansfield uses this fact in support of his argument "that whenever the objects are large, requiring extended credit, not only must that be aided and supplemented by the State, but the administration is also called on to assist in the management of the undertaking concerned." It is true that the East India Irrigation Company, after having spent upwards of 700,000*l.* of its own capital, was stopped for want of funds. But was the East India Irrigation Company singular in this respect? Let me remind his Excellency that the guaranteed railway companies must have suspended their works had not the Government made advances to them to the extent of nearly three millions sterling. The truth is, that almost all enterprise, both in England and in India, has been brought to a standstill by the state of the money market, arising out of the panic of last year.

Sir W. Mansfield insists, moreover, that the Government is under an implied engagement to its fellow shareholders not to withdraw its capital from the Presidency banks. It is true that the shares in these banks have acquired a special value by the partnership of the State. But assuming—which, however, I do not for a moment admit—that the Government has incurred a liability to the shareholders, how far does that liability extend? The highest claim that has been advanced on the part of the shareholders in the Bank of Bombay, ruined as it has been by Government directors, is, that the par value of their property shall be secured to them. But can a serious apprehension be entertained that the shares of the

Bank of Bengal, which are now quoted at a premium of 85, will fall to par if it is announced that the Government will cease to be connected with it as a shareholder five years hence. I might go further, and ask, Will the value of the property be materially impaired by such a prospect? But be that as it may, I must protest against a doctrine which, if maintained, would preclude the Government from adopting any financial measures which might indirectly affect the market value of any investment to which the credit of the State was pledged.

I have no doubt that the presence of the ex-officio director at the Board of Management is useful to the Bank of Bengal; but it is too much to contend that this establishment would be in jeopardy if left to the ordinary management, which, as a general rule, is found sufficient for the due conduct of banking business. A bank which has charge of the Treasury business must submit to such conditions as the Government may think fit to impose; and due provision being made for the observance of those conditions, no further interference with the ordinary affairs of the bank is necessary. It would, however, be premature to discuss the terms of a new agreement until the question of the future relations of the Government and the banks is determined by the Secretary of State.

July 11th 1867.

(signed) *W. N. Massey*

MINUTE of His Excellency the Governor General, dated 12 July 1867.

I AM strongly in favour of the Government of India retaining an interest in all the banks which are entrusted with the use of the cash balances of the State. I consider that there is much force in the arguments and facts which have been adduced by Sir William Mansfield.

2. British power in India, it must be admitted, is of a very anomalous, and, even to some extent, of a precarious character. We consist of a small body of Englishmen holding in subjection a vast country and an immense population, at a distance from the support of the mother country; measures, therefore, which may be unnecessary and anomalous in England, may only be a wise precaution in India.

3. In times of commotion and danger, we are peculiarly liable to misfortune, and even to disaster. We can look for comparatively little aid within the country, unless our position is strong and consolidated, and therefore such as may give a reasonable expectation of permanence. This is true, from whatever aspect we may look on public affairs, and especially true as regards our finances. It is of primary importance that they should rest on a firm and secure basis. Thus, for instance, our cash balances should be so placed as to be available at a moment's notice. Unless this is so, in critical times the administration of the country would come to a deadlock; our political system would be paralysed; we should retain no credit; no means of purchasing supplies and procuring carriage to the large extent necessary for service in the field—in a word, of moving armies.

4. English society is constantly changing in India: men are here to-day and gone to-morrow. This is even, perhaps, more true of the mercantile community in the Presidential towns than of any other section of society. Englishmen who succeed in realising an independence do not continue long in India. On the contrary, they usually give up business and return to England. Even when they retain a direct interest in a business of any kind, they often arrange for it being carried on by agents and managers.

5. If this is a true description of the state of British society in India, and I believe that it is so to a great extent, it follows that there is no great conservative element in the country. There are very few men of large fortunes whose interests are identical with those of the Government. The greater part of the English community consists of men who are trying to realise a fortune as rapidly as may be practicable, and, therefore, whose objects are more or less of a speculative character. They do not, for instance, so much desire that the chief bank of the Presidency should be limited to safe business, but rather that it should be carried on so as to afford abundant accommodation to those members of the mercantile community who may from time to time require its assistance, on easy terms.

6. Such being my view on this subject, I think it very desirable that the influence of the Government in these banks should be as strong as is consistent with the interests of the mercantile community. Anything which weakens this influence, will, in the long run, be calculated to entail disaster, not only on the public finances, but even on the concerns of the community generally. There will, every now and then, be a strong temptation to engage in business of a speculative character, and to employ the Government cash balances in a way which will not be desirable.

7. I believe, myself, that, if the votes of the present shareholders of any of these banks were taken to-morrow, the large majority would be recorded in favour of the Government continuing to maintain its present relation with that bank, or, in other words, to continue to hold shares in it. And that this would not arise simply from the belief that a severance of this connection would involve an immediate depreciation of their property, but from the

the conviction that Government interest in it conduced to its permanent safety and prosperity.

8. So long as the Government continue to hold a portion of the stock of these banks, they nominate three out of the nine directors, and have a potential voice in the rules which are laid down for the conduct of business. These directors, if able and trustworthy men, which by careful selection they may always be, will, from their own characters and the authority of Government, by which they would be backed, exercise a potent influence on its administration. On them a good secretary might securely rest for support. On any important question they could speak with all the authority which a knowledge of the views of the Government would confer.

9. Now all such influence and authority as that which I have endeavoured to describe would be lost by the secession of the State as a shareholder from the bank. There could then be no Government directors who could exercise a voice in the administration of the bank. They could simply look after the safety of the cash balances. Under such circumstances, they would virtually be the periodical auditors of the accounts. All the power to prevent mischief would have departed, and the only authority which would remain would be that of criticism. I may be wrong, but my impression is, that the power of audit, under such circumstances, would be weak and insufficient. I do not think that an auditor could, in a moderate time, ascertain the real character of so vast and complicated a business as that of the Bank of Bengal, and that if he could do so, the Government could not readily find a man who would exercise his authority so wisely, so ably, and yet so resolutely, as to carry sufficient weight by his dictum. How many men, who are available for such duties, would have the courage to point out defects, which would lead the Government to withdraw their balances, knowing that such an act would entail ruin on the bank?

10. On the other hand, a body of Government directors sitting continually in the bank parlour, and being in constant personal communication with the mercantile directors, learns imperceptibly their character, and can form a correct estimate of the mode in which business is conducted. Thus they have a ready means of preventing mischief. For these reasons I am strongly in favour of the combination of authority and interest on the part of the Government in these banks. But if the connection of the State with these institutions is to be weakened at all, then I am an advocate for complete severance. In that case we should revert to the old system of a public treasury. This would in itself be an unpopular measure, and could only be carried out at the expiration of the present engagements with the banks of Madras and Bombay.

11. It may indeed be urged that the case of the Bombay Bank is one which directly leads to the opposite conclusion; and that it is neither safe nor creditable for the State to be connected with banking transactions. But I submit that the circumstances which have led to its ruin resulted from the neglect of obvious and reasonable precautions at a time of unprecedented temptation; and that if care had been taken in the selection of the Government directors as well as in their supervision that bank would have surmounted all its difficulties, just as those of Bengal and Madras have done.

12. Moreover, as pointed out by Sir William Mansfield, as the case now stands, the Government have only lost the value of its shares, wholly or in part, whereas had the Government had no interest in the Bombay Bank its cash balances might have been involved also.

13. The Government by coming forward on two occasions to support the credit of the Bombay Bank gave it every chance of recovery, while it really did no harm to the depositors, whose money, whether it was left in the bank for the time or was at once withdrawn, was thus made equally secure.

14. May we not in trying to get rid of what is called an anomaly in the present instance, entail on the public interests in India the liability to evils of a very much greater magnitude. If the present system is suitable to the circumstances of India, is not this a sufficient argument for its maintenance?

15. It has been asserted that the Government of India, by holding shares in a bank, becomes morally, and even legally, answerable for all losses which occur from its mismanagement. But surely such a statement is altogether erroneous. I am sure that no shareholder ever purchased stock in one of these banks under such an impression, which is tantamount to believing that in prosperous times he would be entitled to enjoy large profits, and in those of disaster to be free from all the usual liabilities of banking transactions. Such a conclusion is manifestly absurd. What shareholders really did understand, and that for which they unwillingly paid a high premium was, that there existed an additional security in such a bank beyond all other institutions, the advantages of official care and influence, and the profits which the use of the cash balances of the State would afford, and no man had reasonable grounds to look for more. But to prevent future doubt and cavil, what can be more simple than, in re-adjusting the terms of Government connection with these banks, to describe the precise terms on which it shall stand?

16. In these remarks I am far from desiring to convey the idea that I do not think that any bank in India can flourish except those with which the Government are connected. We know that this is not the case. But a bank in which the Government have an interest

has a basis and a support which no other banks can possess. In return for these advantages its general body of shareholders consent to a limitation of their business, which gives still further security. Thus these institutions are guarded in a double way. There can be little doubt that though many banks in India with which the Government had no connection have survived the difficulties of the past year, there was probably not one of them which was not rudely shaken, if indeed it was not for a time in actual danger.

17. On the question of separate banks on the one hand, and a general bank for all India on the other, and in particular on that of resuscitating the Bank of Bombay, or allowing an amalgamation with the Bank of Bengal, I am decidedly in favour of the former alternative on public grounds. I see no such benefit either to the State or to the community in the other scheme as should induce the Government of India to support it.

18. I submit that it is not for the interest of the State that a great institution of the kind should grow up for all India, the interests of which may in time be opposed to those of the public, and whose influence at any rate may overshadow that of the Government itself. A bank of such a character would be very difficult to manage. Few men in India would be found equal to the task. And as regards the interests and convenience of the merchants of Bombay and Madras, surely it is only natural that they should prefer separate banks for those important centres of commerce. Is it not obvious that in the course of time jealousy and ill-feeling will arise if an amalgamated bank be decided on? Will the control of the directors of the Bank of Bengal over the branch bank in Bombay work so smoothly and effectively as that of a similar body controlling a separate institution for that city? Again, is it not safer for the Government of India to have the cash balances distributed in three banks, subject to the control of the local government in each case, rather than under the general supervision of the Government of India? It appears to me that all these questions ought to be answered in the affirmative.

12 July 1867.

(signed) *John Lawrence.*

MINUTE by Major General the Honourable Sir *H. M. Durand*, C.B., K.C.S.I.; dated 13 July 1867.

THE question, whether it be expedient to maintain the existing relations of the Government with the Presidency banks, in the capacity of a shareholder, is one, in India, of a practical rather than of a theoretical character. As far as the science of banking as developed in a great commercial country like England is concerned, the tendency has no doubt been adverse to the continuance of any exclusive privileges from Government in favour of banking companies. Theoretically, therefore, the views expressed by the Right Honourable Mr. Massey would probably meet with pretty general acceptance. Even in England, however, these theoretical principles have not been there carried out. On the contrary, though in 1826, Lord Liverpool expressed an opinion with respect to the extension of the terms of the exclusive privileges of the Bank of England very similar to the opinion now expressed by Mr. Massey.

With reference to the inexpediency of the continuance of the privileges of the Presidency banks, yet in 1833, Lord Althorp continued the Bank of England charter with all its exclusive privileges, and the Act of 1844, though it modified some, conferred other privileges. Whatever the theory and science of banking may say, therefore, the practice even in England has been to admit the expediency of privileges in favour of the bank with whom Government deals.

That Government in India is a shareholder in the Presidency banks, may be a vitally valuable privilege to those institutions, still, so far as the principle involved is at stake, it is only a question of degree of privilege as compared with those enjoyed by the Bank of England; and it is a privilege in right of which the Indian Government can legitimately exercise a power of control which circumstances render indispensable here, whereas in England no such necessity exists. The attention of every banking establishment in Great Britain is continuously fixed upon the working and measures of the Bank of England; the whole kingdom and an enlightened and vigilant press watch its every move, and compare its action with the Bank of France and other European State banks; but in addition to this professional scrutiny of rival banks at home and abroad, and the keen criticisms of a watchful press, the Bank of England is subject to periodical inquisitions of a very searching and able kind before Committees of the House of Commons and House of Lords. Under such circumstances, vast as are the interests, the national interests, involved in the procedure of the Bank of England, the Home Government would gain nothing by having directors of its own sitting in the bank parlour. Considering the nature of party government, the responsibility of the bank management would probably be weakened by the introduction of Government directors, and by Government becoming a shareholder.

How much the reverse of all this is the case in India hardly requires demonstration. Our European mercantile community has nothing of the permanence of the great firms of England, but is for ever changing. Its numbers are few, and the amount of capital they represent, moderate. Last year thinned the banking firms. The few that weathered the difficulties of 1866 did so more or less by the aid of the Presidency banks at critical moments,

moments, and at the best they are very far from holding that position, or commanding that influence, which the banking establishments of Great Britain enjoy with regard to the Bank of England. The general European community is small, and the press which represents it is very limited, and with one or two exceptions evinces more ability in the discussion of other subjects than money or banking questions. In a word, as compared with England, the European public which the press represents being mainly that of the Presidency towns, it is only necessary to refer to a census to see what proportion it bears to the population of an ordinary English borough. Need it be pointed out that India has no House of Commons or House of Lords to engage, whenever a question of fact and practice or of principle is mooted, in more searching investigations which every now and then occupy both Houses with respect to the Bank of England, and ventilate every financial question bearing on its action, its functions, and its privileges. The absence of all these potent allies to the Home Government in scrutinizing perpetually the proceedings of the Bank of England, forces the Government of India to substitute in their place Government directors, representing in the Presidency bank parlour not only the interests of Government as a shareholder, but those higher principles and considerations which find expression in England in the authoritative voice of a representative Government, a vigilant monied interest, and an intelligent public, and press of vast power and influence. It may be comparatively a weak substitute, but it is the only one practically at our disposal, and with the exception of the instance of the Bombay Bank, it has worked well and safely. In the absence of any available and efficient mode of replacing the existing system of control, I am opposed to shaking the credit of the Presidency banks and the confidence of shareholders by any change, more especially by such a change as an auditor* system involves, when cumbered with the withdrawal of Government from a positive right of timely interference in consequence of ceasing to be a shareholder.

Of the importance which is attached to Government maintaining its existing relations with the Presidency banks, we have proof in the present position of affairs at Bombay. It is notorious that the reconstruction of the Bombay Bank has no chance of success unless Government pledges itself to continue to the reconstructed bank the existing relations. Accordingly that portion of the press which is the organ of the reconstruction scheme, endeavours to make out what, as far as my information goes, is contrary to fact, viz., that the Government has expressed its readiness to maintain existing relations with the reconstructed bank, if the Bank of Bombay be reconstituted from its present collapse. On the other hand, that part of the press which advocates the amalgamation of the Bengal and Bombay Banks taxes the Government of Bombay, whose preference to the reconstruction is well known, with having by its letter No. 787, of the 1st July 1867, adopted a course fatal to the amalgamation, as in the face of the words, "it by no means follows that it would be thought expedient to extend to an amalgamated bank concessions which might be necessary in the case of the reconstruction of the existing bank," it is certain that the shareholders of the Bank of Bengal will abandon at once all negotiations on the subject of amalgamation, and leave Bombay to find her own way out of the mess into which she has fallen. Both schemes, therefore, are represented by their respective advocates to depend entirely on the declaration Government may make with regard to the extension of existing relations, or the reverse. Both schemes will fail and fall through if Government pronounce its intention of severing its connection with the Presidency banks.

The effect of such an announcement would not, however, be limited to the abandonment of these two rival schemes, for it would operate most perniciously on the Madras and Bengal Banks, and it hardly seems expedient just at the time that public confidence and public credit are rallying from the panic of 1866, to strike so depressing a blow at the two banks which have carried us securely and successfully through the crisis of 1866, and to do so in behalf of theoretical views which, however much in unison with the pure science of banking, have never been practically carried out to their full extent, even in England, and are certainly too far advanced for the circumstances of our position in India.

Mr. Massey adverts to the protest,† a copy of which I append to this Minute, in which the claims of the shareholders of the Bombay Bank to indemnity at the hands of Government are advanced. I concur with much that Mr. Massey notes in the paragraph which closes with this advertence, and I also agree with the doubt which my right honourable colleague expresses whether such a claim can be sustained, but however undesirable for the Government to be placed in such a position it might, in my opinion, be placed in a far worse, if, trusting its cash balances to Presidency banks, it parted with its real close supervision and control. The remedy for the evil which has befallen the existing system appears to me to have a searching inquiry into all that brought about the collapse of the Bombay Bank. Were such an investigation rigorously carried out and its results made public, it would prevent any recurrence of the culpable neglect with which the conduct of the Bombay Government directors has stained the system. They at any rate were or ought to have been independent, and their votes and action could not have clashed with other interests and speculations with which they had no excuse for being largely engaged, whatever may have been the case with others. To gloss over transactions which are as yet wrapped in a sort of fog is more discreditable to Government than Col. Pelly's protest. I am in favour of a thorough scrutiny.

My

* Post audits are futile where Government cannot recover improper issues.

† Vide page 148.

My object in first moving in favour of a State bank was partly the wish to resuscitate credit in one of our chief mercantile centres, Bombay, which appeared to me practicable, as I still think it, by the amalgamation of the Bengal and Bombay banks, and partly that I think a State bank preferable to existing arrangements. If the Presidency banks were really as independent as the Bank of France is of the Bank of England, I could understand the arguments in favour of three State banks instead of one; but no one who is conversant with the actual working of our system can for a moment be divided by this style of reasoning in favour of independent State banks at Calcutta, Madras, and Bombay. One State bank is, in my opinion, much safer and much more manageable than three. I carry this so far that if the connection between the Government of India and the Presidency banks is to be severed by withdrawal on the part of Government from the rights and position of a shareholder, then I consider that the proper course to pursue is to revert to Government being its own banker, and to Government keeping in its own hands all currency arrangements as to issue of notes, reserves of coin, &c. There will be no safety in any intermediate system which supersedes positive and timely control by post audits, and wipes away the confidence of the great mass of shareholders by placing them at the mercy of directors whose individual interests are very far from being always those of the bank, the employment of whose capital and credit rests on their discretion, and over whom, as the bulk of circumstanced shareholders undeniably are, the effective check and control of the latter is purely nominal. The various attempts to frame legislative enactments in England, with the view of establishing some sort of control over joint stock companies, proves how severely the license they enjoy has been found prejudicial to the interests of the general community in Great Britain, and how anxious the lawyers and statesmen of England have been to devise a remedy. The argument based on the fact that the Indian bank failures were proportionately fewer in India than in England, only proves the exceeding value of the stability of the Presidency banks, based on the existing Government connection, which enabled the Presidency banks to aid and support any banking or other firms whose business was on sound and not on speculative foundations. I deprecate handing over the public credit, so to speak, to joint stock companies in India, uncontrolled by Government supervision; it is more dangerous to us in India than it is in England, and if we are to part with the only real timely security we have, in deference to the theory of the science of banking, then I think it imperative that Government should be its own banker, and revert to the system of having a State bank clear of all joint stock shareholders or relations.

(signed) *H. M. Durand.*

13 July 1867.

Proposed by Lieutenant Colonel *Pelly*; seconded by Major General *H. Rivers, R. E.*

This was done at the special meeting of 4 June 1867.

That the following protest be recorded on the Minutes of this day's proceedings:—That the shareholders of the Bank of Bombay, trusting to the direction of the bank being partly under Government management, were induced to invest their capital therein, preferring such security to other investments offering higher interest.

That in the year 1864 a new charter was granted by Government to the Bank of Bombay, and therein three alterations were made—

1. The doubling of the capital of the bank by raising it from 1,000,000 to 2,000,000 sterling.
2. The peculiar power (not existing in the Government banks of the other Presidencies) given to the Bank of Bombay of making advances on shares in any public company.
3. The removal of the limit that not more than three lacs of rupees could be advanced to any one firm or person on personal security.

G. M. Stewart.

That the first of these alterations has since been described by a director in these words: "Then came that most unfortunate step, the doubling of the bank's capital, giving it another million sterling to find employment for at a time when credit was inflated to a most dangerous extent, and when every sound principle of business finance was deranged."

That the second and third alterations led to the whole of the new capital being loaned away, without adding a rupee to the reserved fund.

That these transactions were thus characterised by Sir Charles Wood, the Secretary of State for India, in his budget speech before Parliament in 1865. "Somehow or other, I don't know how, the bankers of Bombay got the power by their charter of advancing money on speculative shares, and they used that power to a considerable extent. I wrote early in the year to Sir Bartle Frere, calling his attention to the necessity of looking after what they were doing; and whether in consequence of my letter or not I can't say, but the Government directors went down to the bank, and on their representations it ceased to do that which it had been doing for some time, viz. advancing largely on these shares. *It was very wrong ever to have advanced money in that way at all*, upon a perfectly unnegotiable security." Whatever rumours may have reached this country, I wish to state that the bankers in Bombay will in future go on in the ordinary way, and there need be no apprehension in the public mind on this subject."

That

That down to the close of 1865 the statements of the bank, published weekly in the *Government Gazette* under authority, showed the bank's capital to be intact, besides a rest or reserved fund of nearly 36,00,000 rupees.

That for the half-year ending 1st January 1866 a dividend at the rate of 8 per cent. per annum was declared.*

That at the general meeting of August 1866 the directors, while admitting heavy losses to the extent of about 50 lacs of rupees, or 25 per cent. of the bank's capital,† stated those losses had not been incurred during the year then closing. Thus showing that the statements published weekly in the *Government Gazette*, between August 1865 and August 1866, were not trustworthy, and that the dividend declared in the beginning of 1866 must have come out of capital.

That immediately after the general meeting of August 1866 a committee appointed by Government showed the bank to have lost 84 lacs, or over 40 per cent. of its capital, besides the whole of the reserved fund.‡

That the report of this Committee was adopted by Government, who considered the amount of loss therein shown to be a maximum estimate of loss, "showing the least favourable result which could be apprehended," § while the directors deprecated it as being excessive. ||

That the heaviest losses were sustained during a period when a Government director presided as chairman of the bank.

That at the general meeting of the 15th of January 1867,¶ resolutions were passed directing applications to be made to the Government of Bombay to introduce a Bill in the Legislative Council, declaring that, as the bank of Bombay had lost half its capital, the paid-up value of each share be reduced from 1,000 rupees to 500 rupees. **

That this Bill was introduced by Government, was passed into an Act, and had scarcely received the assent of the Viceroy of India, and been published, †† when it became evident that the shares were not even worth the reduced amount of 500 rupees, but that their price in the market had fallen below 250 rupees.

That at the present time ‡‡ the affairs of the bank of Bombay are so utterly ruined and bankrupt that the directors see no alternative other than to put the bank into liquidation.

That the shareholders have good reason to state that the management of the bank has been conducted in a reckless manner, quite opposed to the first principles of sound banking.

For instance, loans to the amount of many lacs of rupees were advanced to individuals and to speculators on mere personal security. That subsequently, when a monetary crisis threatened, the directors took up, as security, worthless shares in speculative schemes, which they, to make difficulties worse, transferred into their own names, thereby rendering the bank liable to large future calls.

In another instance the directors advanced a sum of 25,00,000 rupees as late as the end of April 1866 to a share speculator, then on the verge of insolvency, accepting securities which three other local banks refused to accept, and which have since proved to be quite insufficient.

That it appears from a recently published document, that the bank has 145 insolvent debtors on its books, whose aggregate debts amount to 2,160,000 L. §§ or more than the whole capital of the bank.

That the shareholders have not been allowed full inspection of the bank's affairs, and on their part have hitherto abstained from that active interference with the affairs of the bank which they would have desired to exercise in any but a Government institution, trusting to the efficient control of three Government directors in the management, seeing also that Government exercised the power of direct interference, and trusting at least that the published statements of the bank would be reliable, whereas each successive statement has been from time to time contradicted by subsequent ones, as well as by facts.

That the shareholders in the Government bank of Bombay believe themselves to be in a position unparalleled in the annals of British commerce, and confidently rely on Government investigating the case, and securing justice to them.

That the shareholders make this appeal with the more confidence, knowing that so large a portion of their number are either persons in the service of Government, or the widows and children of retired officers, who have invested their hard-earned savings in Bank of Bombay shares, believing that such investment was as secure as any Government guaranteed loan, whereas by the mismanagement of the bank's affairs and other causes enumerated above, these shareholders have, in the short space of two years, lost 2,000,000 L. sterling of their capital, and been involved in difficulties, many even in ruin.

MINUTE

* *Vide* Proceedings of general meeting of 6th January 1866.

† *Vide* Proceedings of general meeting of 6th August 1866.

‡ *Vide* the Committee's letter, dated 8th September 1866.

§ *Vide* letter from the Under Secretary to the Government of Bombay, dated 19th September 1866.

|| *Vide* Bank Secretary's letter to the Bombay Government, dated 13th September 1866.

¶ *Vide* Proceedings.

** *Vide* Act I. (Bombay) of 1867.

†† *Vide* "Bombay Government Gazette," 25th April 1867.

‡‡ 4th June 1867.

§§ *Vide* Secretary of Bank of Bombay's letter, dated 1st February 1867, to Chief Secretary to Government of Bombay.

MINUTE by the Honourable Sir *G. U. Yule*, K.C.S.I., dated 2nd July 1867.

I QUITE concur in the opinion that Government should maintain connections as at present with Presidential banks, and I think it prudent to say so at once, though we have not the arguments on the other side before us.

But I decidedly object to the acceptance of amalgamation as a matter of necessity. It is not a necessity until made so by Government acceptance, and instead of this premature and submissive acceptance of our scheme in preference to another, as a matter in which there is no choice, it seems to me that Government, intending to continue connection on the present system with a bank at Bombay, ought to consider whether an amalgamated or a separate bank is most advantageous to the public interests, and having come to conclusion on that point, it is not only justified in promoting that scheme in favour of which it has decided, but bound to do so to the utmost of its power. Now I am not aware that this point has been decided, and I think that Government is about to accept, as a necessity, a measure which will be injurious to its interests, but which it could at once put an end to, by an expression of its opinion as an interested party, and of its determination to act upon that opinion, if supported at home. I do not pretend to any knowledge of banking, and the amalgamation scheme may be a model of wisdom in its details, but I hold that it has two inherent radical defects which must cause it to end in failure.

The first is that amalgamations, as a general rule, fail—as in this case one of the bodies undergoing the process is rotten, and communicates its disease to the sound one, and why does a sound body wish to amalgamate with a rotten one? because, actuated by a greed which blinds it, it fancies large profits, and of course the rotten one helps the delusion by concealing, as far as possible, its real state.

The second reason is this—that if Government recognises the Bombay portion of the amalgamation as a Presidential bank, there must be a board of directors there, some of them nominated by Government, but which board must, nevertheless, from the nature of the scheme, be subordinate to the Calcutta board. But Calcutta interests and views must some times clash with those of Bombay; there will be collision between the boards, and the Bombay one will be supported by the Bombay Government, and nothing but dissolution will heal the dissension. On these grounds, and without considering the advantages or disadvantages of a monopoly like that attempted to be conferred on the Bengal bank by the scheme, I hold that reconstruction, if possible, and, if not, the establishment of a new bank is preferable to amalgamation; and that Government having the interest it has in the Bengal bank, and which it proposes to have in a Bombay bank, would have been, and will be still, justified in expressing its disapproval of the amalgamation scheme, and its determination not to aid it by taking any interest in the Bombay bank, though quite ready to continue its connection with a separate bank there. Let this be done, and there can be little doubt that Bombay will find means to reconstruct its bank. I urge, therefore, that before writing to the Secretary of State in the manner now proposed, we determine which is best, amalgamation or reconstruction, and if the latter be approved, that we take means to promote it. Delay may be injurious, but not so much so as under an imaginary pressure of necessity adopting a scheme which consideration might lead us to think ought not to be adopted.

2 July 1867.

(signed) *G. U. Yule.*

MINUTE by the Honourable Sir *G. U. Yule*, K.C.S.I., dated 15th July 1867.

ADMITTING the present system to be opposed to the correct theory in regard to the connection of a State with a bank, I do not think that that fact alone affords sufficient ground for the discontinuance of a system which practice here has shown to be attended with many advantages. The theory in question has been evolved from conditions very different from those existing here. The difference has been explained in the Minutes of His Excellency and other members. In order to justify our taking this theory as a guide, its advantageous application under these different conditions ought to be shown, but this has not, and in my humble opinion cannot be done.

The surest mode of securing stability to any banking institution would be to secure thorough and continuous inspection and control by those most interested. The difficulty is to effect this to the needful extent. The private direction system fails; for ignorance, idleness, self-interest, each or all stand in the way. Audit is intended to be a check on direction; but even when thoroughly efficient it only points to evils already begun, it does not prevent them. But by associating Government officers with commercial men in a directing body the evils above-mentioned are very much mitigated; Bombay prevents me using a stronger expression. But by proper precautions the operation of self-interest in Government directors towards the ruin of a bank might be almost entirely eliminated, and by proper selection and a firm performance of its own duty by Government, the other evils might be reduced to a minimum as compared with the degree to which they exist in directing bodies without an infusion of Government officers.

I hold, therefore, that there is no alternative between the present system, by which Government, as a shareholder, secures the right of inspection and control, and is interested in

in enforcing them, and a state bank, for to entrust the Government balances to a bank without Government directors, and of whose affairs Government could know nothing except the post audit reports, would be to incur a certain and ever-existing risk for which no advantage, that I can see, would offer any compensation.

But leaving the general question aside, I hold that at the present time it would be a most unjustifiable act on the part of Government to alter in any great degree the basis of the present system. While by no means admitting any responsibility on the part of Government to make good to the shareholders of the Bombay bank, the losses they have incurred by the gross misconduct of the directors, still as the losses might have been prevented, if not altogether, at least to a very large extent, by honest and firm action on the part of the Government directors, which action it was their duty to take and the duty of the Bombay Government to enforce upon them, in the performance of both which duties there was an utter failure, I hold that the Government of India is bound to assist, in all reasonable ways, the unfortunate shareholders, and it cannot do this more reasonably, effectually, and economically than by at once resolving and declaring its resolution to take shares in and continue its business with a bank reconstructed on such terms as it may approve of, with a view to enable the shareholders in time to recover from their losses. I have in a former memorandum explained why I strongly objected to amalgamation with the Bengal bank; and if at the same time Government took measures to wipe off some portion of the discredit attaching to it from the mismanagement of the Bombay bank, by directing a full inquiry, or better still, if it could be done by causing an inquiry to be made by a criminal court in the process of trying the directors, there would be little fear of any of its directors in future permitting themselves to do as the Bombay directors did.

15 July 1867.

(signed) *G. U. Yule.*

MINUTE by the Honourable *G. N. Taylor*, dated 16th July 1867.

It may be true that in theory and possibly according to European practice generally, it would be contrary to sound principles for a Government to become a shareholder in a joint-stock bank or other similar concern. But a principle which may be perfectly correct and sound, when applied to institutions in Europe, is often totally inapplicable and even dangerous under the very different circumstances which prevail in India. The present is I think a case in point. There is very little analogy indeed, between the conditions in the face of which banking operations are conducted in this country and in England; and consequently, the position which it is proper and desirable for the Government to assume in relation to what may be called a national or State bank is essentially different.

I so thoroughly concur in the force and validity of the arguments by which this opinion is maintained in the minutes of the Governor General, Sir William Mansfield, and Sir H. Durand, in opposition to the views of my Right Honourable colleague Mr. Massey, that I might almost content myself with simply expressing a hope that the Home Government will pause very long before determining that the State shall withdraw from any of the existing establishments, or refuse to enter into a new agreement on similar terms, either with a reconstructed or amalgamated Bank of Bombay.

I must, however, just say, that whichever of these alternatives it may be decided to adopt, either scheme will fall to the ground if Government support be withheld. I think that both on public grounds and in the interests of shareholders of both banks, especially of those of Bombay, to whom the proposed terms of union appear to me very favourable, the weight of argument is on the side of a united bank in preference to reconstruction; but it is clear to me that there can be neither one nor the other, without the promise of a continuance of the existing Government connexion with the establishment.

It is impossible to foretell what would be the immediate or ultimate effect of the Government retiring from the partnership and disposing of its shares in the old concerns; or even of the announcement of its refusal to continue the connexion on the expiry of the existing charters. I believe that such a course would not only materially depreciate the value of the shares at once, but that it would lead to a very general and lasting feeling of mistrust, which it would be most inconvenient and impolitic to arouse. The shareholders, especially those in the services, and the natives generally, would lose all confidence in the bank as a permanent mode of investment, would take the earliest opportunity of disposing of their shares, and transfer their custom to other establishments.

His Excellency the Governor General and Sir William Mansfield have dwelt very forcibly on the moral support which the presence of the Government directors imports into the conduct of the banks affairs. Its effect can scarcely be overrated, and the withdrawal of this support could not fail to be disastrous. It enables an able and conscientious secretary to oppose successfully any measures of a speculative and doubtful character emanating from the mercantile directors, which might prove injurious to the best interests of the bank. Dissever the Government connexion with the bank as a shareholder, and you diminish at once the weight and authority with which the official directors are now empowered to act. It would then become a question whether the cash balances should be left in the banks; but assuming that they will be so, and that we insisted on the publication of periodical returns and a strict post audit of the accounts, these checks would be of very little avail. Our representative would have little or no voice in the direction of the

bank's affairs; having no interest in it beyond the safety of the Government deposit, no one would listen to his objections, and he would be powerless to check abuse, because the mischief would be done before he could interfere.

This was notably the case as regards the control of expenditure on our Indian railways: up to a recent date there was a post audit of expenditure by our consulting engineer, but it was found that millions sterling were expended in defiance of his control; and that when the money was gone, whether there were sufficient works to show for it or not, it was impossible to refuse audit and to pass the amount as guaranteed capital. Under present arrangements the control of the Government officer is much more effective, his previous authorisation being required to the original expenditure, before the money can be passed to account by the independent auditor of the company.

The case is an illustration of the necessity of prompt and vigorous direction in the initiation of affairs, if we wish to avoid disaster, which I trust will not be disregarded in the present discussion.

16 July 1867.

(signed) *G. N. Taylor.*

MINUTE by the Honourable *H. S. Maine*, dated 17th July 1867.

THE minutes of his Excellency the Viceroy and of his Excellency the Commander-in-Chief so correctly express my own opinions, that I do not propose to waste time by adding more than a few words to this discussion.

Let me observe, however, that if the connection of the Government with the Presidency banks is to cease by the withdrawal of the Government directors, considerable ulterior changes must, as it appears to me, take place in the direction of those banks. Unlike the other prosperous Indian banks, such as the Oriental Bank, which select their directors from the vast field of the London commercial world, the banks of Bengal, Madras, and Bombay have, if the Government directors be eliminated, a direction taken exclusively from the comparatively limited communities of the Presidency towns. I have not a word to say against the probity of the gentlemen who form the non-official element in the direction; but still I can scarcely think it is seriously proposed to allow a mere committee of Calcutta or Madras merchants to use at pleasure the great Government balance for the accommodation of the members of a commercial community with most of whom they are in more or less intimate relations.

The suggested plan of having a Government auditor without power of direct interference, but reporting regularly to Government the condition of the bank's business, must depend for its value on the efficacy of the remedy which is to be applied, in case the auditor reports that the business is unsatisfactorily conducted. That remedy is, I presume, the withdrawal of the Government balance; followed, of course, immediately by the collapse of the bank, and in all probability by a severe commercial crisis throughout India. Nobody who has any experience of the Government of India will believe that there is the smallest prospect of its applying a remedy entailing such consequences, however its own interests may be endangered; and the directors of the bank will be perfectly well aware of the reluctance of the Government to save its balance at such a cost.

I do not believe that the remedy would ever be employed, but I will go further and say that nothing, in my opinion, could be more inequitable than its employment. I do not think I use too strong language when I describe a system under which one great depositor protects his deposit by a right of private inspection, confined to himself, as an organized fraudulent preference. What anomaly involved in the present system can be compared with the anomaly of giving to one creditor of a bank the command of perpetual private information, and thus enabling him to save his stake in the bank at the cost of the other creditors, who must of course be ruined the moment he acts on his information?

Under present arrangements the Government, no doubt, practically possesses better sources of information than other depositors, but the unfairness is balanced by the interest which it has in preserving the stability of the bank on account of its share in the direction. It really seems that no option is left to us beyond the maintenance of the existing system, or a return to the system, which possibly might be a good deal improved, under which the Government retained the custody of its own balance. If the safety of the balance were alone in question, I should be unhesitatingly in favour of the Government being its own banker; but I perfectly agree with the opinions which have been expressed, that the utilization of the balance is a great advantage to the commerce and credit of India.

17 July 1867.

(signed) *H. S. Maine.*

MINUTE by his Excellency Sir *W. R. Mansfield*, K.C.B., dated 18th July 1867.

HAVING been not a little flattered by the support my arguments have received from the Governor General and my honourable colleagues, I should have refrained from adding another word to the discussion, were it not that his Excellency has raised a second question to which the Right Honourable Mr. Massey has not adverted. The question is, which is the more expedient, the amalgamation of the Bengal and Bombay banks, or the reconstruction of that of Bombay. I had understood that we were to refrain from the formal consideration

consideration of this part of the subject till the matter should be finally settled, so far as the two banks are concerned, by the meeting of the Bombay Bank, which is announced for the 12th of August.

It has, however, now become necessary for us to give reasons in support of our opinions.

I am in favour of the measure of amalgamation, because I consider a larger amount of credit will attend one great bank under Government auspices, than when two or three institutions exist as heretofore.

These institutions, with the single exception of that of Bengal, have been solely superintended by the local Government of the Presidency concerned.

The Bank of Bengal, owing to the close neighbourhood of the Government of India, may be said, I believe with accuracy, to come under the supervision of the latter in its financial department.

It will not be thought that I am in any manner depreciating the Governments and mercantile communities of the minor Presidencies, when I state my conviction that this circumstance gives the Bank of Bengal, in point of stability and therefore of credit, an enormous advantage over its fellows of Bombay and Madras.

Having myself been a member of the Bombay Government during the years immediately preceding 1865, I am able to bear personal testimony to the manner in which a local Government can hardly fail to be carried along by such a movement as we witnessed in those years. It is too much to expect from human judgment, that when placed in the midst of such circumstances it should not be influenced by the swelling tide around, which is felt alike by every man and in every thing, and to take advantage of which, in the public interest, cannot fail to be the object of every Government.

But, after our experience of late years, I think that, without imputing blame to any one, we may fairly say that whatever machinery may be set up by law, a local Government, as now constituted, does not afford the drag chain which is sufficient for our purposes, when we go the length of entrusting our balances and the support of national credit to a Presidency bank of deposit.

Now, the Government of India is elevated above the excitement of a local money market and extravagant commercial local enterprise, and consequently escapes the influences which beset a local Government. In addition to this, the Financial Department has constantly before it the questions of credit and currency as affecting the whole country, of which the parts re-act on one another, whereas a local Government only knows of what is going on in one of the parts, *i. e.*, in its own immediate sphere of action.

Thus when Bombay gets into trouble, the financial member of the Governor General's Council must provide the ways and means, whether it be the Presidency Bank which be called upon to meet a sudden run, or the currency department which is short of bullion and coin.

Nevertheless, according to the existing arrangements of separate and local Presidency Banks, the financial member has not even a potential influence in the management of the Banks of Bombay and Madras till there is a cry of *peccavi* and a menace of immediate ruin. He is then allowed to advance money, and to lend the credit of the whole empire in aid of the bank of one province, but even then, as shown by our correspondence of the last two years, he fails in obtaining an insight into the affairs of those he is required to save.

The Council will bear in mind the frequent complaints, that notwithstanding the urgent representations of the Financial Department for more than a year, we could not obtain from the Bombay Government that information which could alone justify us in continuing the efforts made by the Government of India to support the Bank of Bombay, and with it the credit of that Presidency, after the first alarm of 1865.

This appears to me a false position for the financial department of the Government of India.

For reasons not dissimilar to those adduced in my first minute, it seems to me almost preposterous that the Government should be in such a position towards a minor Presidency and its bank of deposit.

I can only see one remedy, *viz.*, to have one large bank for all the Presidencies, with which alone Government should deal as one, instead of in three capacities, as at present. It matters little where the head quarters are, provided that the great central Government authority, which is responsible for credit and currency, have the means of real supervision thus to be afforded, as now maintained by it in the affairs of Bengal.

It is there seen that I prefer the measure of amalgamation, which I understand to commend itself to my right honourable friend as a means of increased security, of still further assuring

assuring the results of vigilance on the part of the Government of India, and, therefore, as a more substantial basis of credit.

It is not a question as to what may be best or not for the interests of existing shareholders, but what is best for the Government and the country, in the disposition of imperial interests, whatever may be the constitution of the bank which formed the first subject of the discussion.

18 July 1867.

(signed) *W. R. Mansfield.*

TELEGRAM, dated 5th October 1867, from Governor General to Secretary of State.

WE would desire an early expression of your views on the terms to be allowed to the new Bank at Bombay; if the present bank goes into liquidation on 1st November, and no arrangements are completed by that date for the establishment of a new bank, and the transfer thereto of the Government business, we shall have temporarily to establish a general treasury at Bombay, which will be expensive and inconvenient.

TELEGRAM, dated 10th October 1867, from Secretary of State to Governor General, Simla.

I OBJECT to Government holding shares in the bank. I think a Government auditor preferable to a Government director. Government of Bombay has been informed accordingly.

My views in regard to the bank will be communicated by a Despatch as soon as possible. If the present bank goes into liquidation on 1st November, it seems inevitable that a treasury must be established temporarily at Bombay. You should instruct the Government of Bombay accordingly.

TELEGRAM, dated Poona, 4th October 1867, from Governor of Bombay to Secretary of State.

Do you assent to the continuance of Government director on Board of new Bank? I should have preferred having none, and will try to arrange it so if you concur, but there appear to be difficulties.

TELEGRAM, dated 10th October 1867, from Secretary of State to Governor of Bombay.

I OBJECT to Government holding shares in the Bank. I think a Government auditor preferable to a Government director.

(Financial, No. 368.)

To his Excellency the Right Honourable the Governor General of India in Council.

Sir, India Office, London, 24 October 1867.

Para. 1. I HAVE considered in Council the financial letters from your Government, noted in the margin,* relating to the affairs of the Bank of Bombay.

* Financial Letters from Government of India, dated—			
19 January	1867,	No.	27
20 March	"	"	89
23 "	"	"	93
18 April	"	"	115
1 June	"	"	134
24 "	"	"	149
3 July	"	"	156
12 "	"	"	165
18 "	"	"	168

2. I do not consider that any advantage would attend my entering, in this Despatch, on an inquiry as to the past mismanagement of that Bank. The evils to be guarded against in future are fully apparent.

3. In regard to the two propositions which were more immediately before your Government, viz., the amalgamation of the Banks of Bengal and Bombay, or the establishment of a new Bank at Bombay, a material difference of opinion prevailed amongst the members of your Government as to the expediency of Government holding shares in any bank, and the several Minutes which you have forwarded on the subject have received my attentive consideration.

4. I fully admit that the connection of the Government with the Presidency banks is calculated materially to strengthen the confidence of the public in their stability, but so far as regards holding shares, this connection is objectionable in principle, and has led, in certain cases, to grave misapprehension. Nor, in order to secure confidence in the bank, does it appear to me that it is necessary that the Government should hold shares. I am of opinion that the same effect would be attained, in a sufficient degree, if arrangements could be devised whereby the Government should always be supplied with timely and accurate information as to the mode of conducting the business of a Presidency bank, and were then to employ it as the Government banker.

5. Entertaining this opinion, although I am aware that it is not in the power of the Government to withdraw (at all events immediately) from being a shareholder in the Banks of Bengal and Madras, I could not consent to the Government becoming a shareholder in a new bank to be established at Bombay or elsewhere.

6. I request, therefore, that you will make it known that I cannot consent that the Government should take any shares in a new bank, but if one can be established on a satisfactory footing, and if the shareholders are willing to agree to such conditions as the Government may impose, I shall not object to place the Government banking business in the hands of the new bank.

7. Among the essential conditions, I should require the bank to agree that a Government officer, appointed for the purpose, should at all times have free access to the correspondence and books of the bank, and that the bye-laws of the bank should be approved by Government, and not altered without their concurrence.

8. If these conditions be acceded to, it would be necessary for you to appoint a competent officer to perform that duty, and I regard it as of so much importance that it should be his principal, if not his only, employment, and you would require him to make to the Government of Bombay, weekly, a report on the proceedings of the bank.

9. You will consider and report to me what further conditions it may be expedient to prescribe, but, keeping in view the above instructions, I authorise you to enter into an arrangement with the bank.

10. It will be obvious that, as the Government will not take shares in the new Bank, I could not, in fairness to the community of Bombay, allow the Bank of Bengal, in which Government is a shareholder, to establish a branch at Bombay.

11. In your telegram of the 5th instant, you request early instructions on this subject, and you state that, if the present bank goes into liquidation on the 1st November, and no arrangements are completed by that date for the establishment of a new bank, and the transfer of the Government business, it will be necessary to re-establish temporarily a Government Treasury at Bombay, which would be expensive and inconvenient.

12. I had previously no reason to anticipate that the Bank of Bombay would go into liquidation on the 1st November, and it is not mentioned in a telegram which I received from the Government of Bombay on the 5th instant. In the event of that measure being found necessary, it appears to me that, as an engagement with any bank for the transaction of the Government Treasury business, can only be entered into after mature consideration of the conditions to be required by Government, it will be necessary to establish, temporarily, a Treasury at Bombay, and you have been advised accordingly by my telegram of the 10th instant.

I have, &c.
(signed) *Stafford H. Northcote.*

(Financial Department, No. 20, of 1867.)

To the Under Secretary of State for India, London.

Letter from the Secretary and Treasurer, Bank of Bombay, No. 576, dated 16 April 1867, with Enclosures.
Demi-official letter from the Right Honourable the Governor of Bombay to His Excellency the Viceroy and Governor General of India, dated 24 April 1867.
Already Printed, Telegram from His Excellency the Viceroy and Governor General of India, dated 8 May 1867.
Page - 134—Letter from the Government of Bombay to the Bank of Bombay, No. 584, dated 18 May 1867.
Page - 124—Letter from the Secretary and Treasurer, Bank of Bombay, No. 2,694, dated 29 May 1867, with Enclosure.
Reply from the Government of Bombay, No. 649, dated 3 June 1867.
Page - 137—Letter from the Secretary and Treasurer, Bank of Bombay, No. 2,695, dated 29 May 1867.
Page - 138—Letter from the Government of Bombay, No. 650, dated 3 June 1867.
" " Letter from the Secretary and Treasurer, Bank of Bombay, No. 2,858, dated 12 June 1867, with Enclosures.
Page - 125—Letter from the Secretary and Treasurer, Bank of Bombay, No. 3,007, dated 22 June 1867, with Enclosures.
Page - 140—Reply from the Government of Bombay, No. 787, dated 1 July 1867.
Letter from the Government of India, No. 594, dated 3 June 1867.
Page - 123—Reply from the Government of Bombay, No. 788, dated 1 July 1867.

Bombay Castle, 9th July 1867.

Sir,

I AM directed to forward to you, for the purpose of being laid before Her Majesty's Principal Secretary of State for India, the accompanying copies of papers noted in the margin, regarding the Bank of Bombay.

I have, &c.
(signed) *M. J. Shaw Stewart,*
Acting Chief Secretary to Government.

(No. 576 of 1867.)

To *F. S. Chapman*, Esq., Chief Secretary to Government, Financial Department, Bombay.

Sir,

Bank of Bombay, Bombay, 16 April 1867.

I HAVE the honour, by desire of the directors of the bank, to state that at a meeting of the shareholders held to-day for the purpose of electing a director, the correspondence with the Bank of Bengal, regarding the proposed terms for the amalgamation of the two banks (copy herewith enclosed), was duly submitted to the meeting with the view of eliciting an expression of their views on the subject.

2. The terms proposed appear not to meet with the cordial support of a section of the commercial public, and an opinion seemed to be entertained that the present shareholders should be invited to make an effort to subscribe a sufficient amount of new capital, not less than 50 lacs of rupees, to reconstruct the present bank rather than accept the terms now offered for the amalgamation with the Bank of Bengal.

3. Before

3. Before taking such a measure into consideration the directors were anxious to obtain some assurance that in the event of their being able to raise 50 lacs of rupees, which they consider a sufficient amount of capital to commence with, towards the formation of a new bank, the business of Government would be continued after the expiration of the agreement in March next.

4. Should Government be of opinion that the amount of paid-up capital in the new bank should exceed 50 lacs of rupees, the directors would be glad to have some idea of the amount which in the opinion of the Government would justify a renewal of the agreement.

5. On the realisation of the assets of the present bank, a further sum of 50 lacs would be called up, giving a total capital of one crore of rupees for the new bank.

6. The directors believe, from the opinions expressed to day, that, in the event of an assurance of this kind being given by Government, the shareholders in Bombay would use every effort to raise the requisite amount of capital, rather than amalgamate with the Bank of Bengal.

7. As the secretary to the Bank of Bengal is now on his way to Bombay to consult with the directors of this bank, it is of the utmost importance that an early reply should be given, and I am, therefore, directed most respectfully to request that Government will be pleased to give the subject immediate attention, and favour me with their views at their earliest convenience.

I have, &c.
(signed) *J. Stuart*, Secretary and Treasurer.

To *John Stuart*, Esq., Secretary and Treasurer, Bank of Bombay.

My dear Sir,

Bank of Bengal, Calcutta, 7 March 1867.

I HAVE to inform you that the demi-official and private letter, dated 28th ultimo, and addressed to Mr. Cowie by Mr. Stewart, one of your directors, for communication to the Board, was under consideration at their ordinary weekly meeting of this forenoon. In the siderunt of 28th February, the same subject was discussed; and as you will find on reference to the enclosed Minute, I received instructions to embody in the present form the memoranda which I had prepared, and which I read to the directors on Thursday last. The Minute has been adopted, and will be adhered to in its integrity by my directors.

I am now desired to forward it to you accordingly, with the following explanations, viz. :—(1). That in the meantime it has not been made public here. (2). That it is conveyed to your directors in confidence, but, on the understanding, that in the exercise of their discretion they may communicate the whole, or such portions of it only as they may deem expedient, to the meeting of your shareholders, which has been fixed for the 12th instant. I am to add, that the chief reason which influences my directors in observing reticence in the meantime, is a desire to prevent disturbance in the share markets of the three Presidencies, which would probably ensue on a premature divulgence of the proposed scheme for one great bank of India.

I have transmitted copy of the Minute to our friends, the Bank of Madras, on a similar understanding. You are doubtless aware that the Government has expressed a desire to consider favourably such terms as may be mutually agreed on between the Banks of Bengal and Bombay. The absorption or non-absorption of the Bank of Madras does not materially affect the proposal.

Kindly telegraph as soon after receipt as possible, whether the proposal is likely to be adopted; if favourably considered, telegraph the word "*Wilson*," if unfavourably, "*Trevelyan*," if accepted heartily, "*Massey*," adding any explanation which you may consider necessary.

I remain, &c.
(signed) *Geo. Dickson*, Secretary and Treasurer.

(No. 1328 of 1867.)

To the Secretary and Treasurer, Bank of Bengal, Calcutta.

Dear Sir,

Bank of Bombay, Bombay, 16 March 1867.

I HAD the honour to submit to the directors of this bank your letter of the 7th instant, forwarding memorandum which you had prepared and submitted to the directors of the Bank of Bengal, containing terms for the amalgamation of the three Presidency banks.

2. In reply, I am instructed to state that my directors approve generally of the proposals, and will be prepared to recommend them to the shareholders, and on approval by them,

to transfer the business of this bank, on terms which I shall now proceed to state, and which do not in any material point differ from those suggested in your minute.

3. Admitting that the present position of the Bank of Bombay renders it desirable that immediate action should be taken, the directors propose at once entering into negotiations with your directors, on the understanding that a new bank will be established with the object of absorbing all the Presidency banks.

4. The Bank of Bombay will transfer to the Bank of Bengal all current deposit accounts on receiving authority from customers to do so, and in the event of the assets not being realised in sufficient time to meet the transfer of deposits, the Bank of Bengal might possibly be required to give an advance to the extent of, say, 65 lakhs (upon which interest on the daily balance would be paid at the rate of 6 per cent. per annum). This advance to be secured by the general assets of this bank, the estimated value of which is 173 lakhs.

5. The enclosed balance sheet, marked A., of the affairs of the bank on the 23rd ultimo, the last submitted to Government, and the statement marked B., showing the liabilities and assets, will explain more clearly the exact financial position of the bank's outstanding liabilities and ability to meet all probable demands. The current bills discounted are all payable within the next three months, and the inland bills and hoondees at much shorter terms.

6. It is very possible that no such advance will be required, as this bank is daily realising its outstandings, and may be in a position to pay off all liabilities without any assistance, but it appears necessary to point to the possibility of such a contingency.

7. The consent of Government would be requested for the immediate transfer of all their business to your bank, and you would have the benefit of all profit on it for nearly 12 months before the expiration of the agreement with this bank.

8. The Bank of Bengal to undertake the realisation of the assets of this bank, say 173 lakhs, and to be allowed a commission of 2 per cent. upon the amount realised. The current advances, say 72 lakhs, which are all considered good, to be realized without charge; and the Bank of Bengal to incur no liability whatever in respect of any such outstanding.

9. The amount of the Bank of Bombay's own notes still in circulation is 91,800 rupees, of which it is believed that at least 60,000 rupees will never be presented for payment; the Bank of Bombay to get credit for this latter sum.

10. The capital of the Bank of Bombay as realised, to be paid to the Bank of Bengal, say 10 lakhs at a time, and scrip to be issued for shares with 100 rupees paid up; and so on from time to time, as further portions are realised, the amount to be paid to capital. Also that the shareholders of the Bank of Bombay should have the option of paying up the whole or any portion of their shares, in sums not less than 200 rupees per share, at once.

11. There is one point to which my directors would specially request the consideration of your Board, that is, to allow the shareholders of the Bank of Bombay to contribute their quota of capital ratably to the capital and reserve fund of the Bank of Bengal, viz., a little over 13 per cent., and that the one crore of capital to be contributed by our present shareholders should be at a rate not exceeding, say 15 per cent. premium, this privilege, however, to extend only to such portion of the capital as may be paid up within 12 months from the execution of the agreement. All subsequent payments to capital account to be subject to the rate of 25 per cent. premium.

12. The present premises at Bombay and Kurrachee to be taken over at a valuation of parties to be mutually chosen.

13. My directors desire me in conclusion to recommend to the favourable consideration of your directors the greater portion of the officers of this establishment.

14. The business of the ten branches still open is included in the foregoing figures, and would, as a matter of course, be transferred along with this office.

15. May I request you will let me know the decision of your bank, by telegram, using the same cipher mentioned in your letter of the 7th instant.

I am, &c.

(signed) J. Stuart, Secretary and Treasurer.

P.S.—I confirm my telegram of the 14th instant.

“ Directors Wilson.

“ President will telegraph to your President.”

J. S.

Capital 3,00,00,000
rupees. Reserve
Fund, 40,00,000
rupees.

Sir,

Bank of Bengal, Calcutta, 25 March 1867.

I have to acknowledge receipt of your No. 4388, dated 16th instant, which immediately after receipt was submitted to a special meeting of the directors. The result of their deliberations I transmitted by telegram, bearing date 22nd instant, as per copy annexed.

I am now to inform you that the directors, with every disposition to meet the reasonable wishes of your Board, are clearly of opinion that the alterations and modifications suggested for adoption, do materially affect the original proposal, and are in consequence inadmissible.

It appears to my directors that the possible contingency of this bank being called on to advance 65 lakhs (out of 100 lakhs paid up) on the security of assets not immediately available, would, in the event of its becoming a reality, inconveniently hamper the position of the bank, and interfere with its freedom of action in meeting the legitimate requirements of Bombay. My directors are further of opinion that it will best suit the interests and convenience of both parties, that the liquidation of the assets of the Bank of Bombay should not be undertaken by this bank, but that the duty and responsibility of realising them should rest with yourselves. Any assistance which can be conveniently given by this bank will assuredly not be withheld.

With regard to the allocation of capital, the directors adhere to the conditions embodied in the original proposal. Conceived in a liberal spirit, they were offered in the belief that they would be readily accepted by your directors in the interests of their shareholders. In order to meet their convenience, and with the view of affording sufficient time for the realisation of the assets of the Bank of Bombay, my directors have resolved to submit the following conditions, as subsidiary to the original proposal, viz. :—

Payment of 50 lakhs on 31st December 1867, at 25 per cent. premium.

Payment of 50 lakhs on 31st March 1868, at 25 per cent. premium.

In the event of any portion of the first call being unpaid on 31st December by the shareholders, and taken up in January following only, then 40 per cent. premium would fall to be paid on the same, and 50 per cent. premium if taken in February, on the lapse of which month forfeiture would follow. In like manner, similar rates would be exacted on the unpaid portion of the second call in April and May, followed by forfeiture in June.

Any addition to the amount of capital already assigned to the shareholders of the Bank of Bombay, would be unjust to the shareholders of the Bank of Bengal, who receive only 80 lakhs of new capital, whereas those in the Bank of Bombay receive 100 on precisely the same terms and conditions, if paid at the dates first given above. The proposal of adding 13 lakhs to the amount assigned has therefore been declined.

The other points touched on in your letter under reply, are of minor importance, and mere matters of detail, which had better be left over in the meantime. My directors are not prepared to give an undertaking to take over at a fixed sum the amount of lost and destroyed notes of the Bank of Bombay still outstanding in your books. They will, however, be treated as belonging exclusively to your shareholders.

The premises at Bombay and Kurrachee, as stipulated in the original proposal, will be taken over on valuation.

I shall be glad to hear, by telegram, and in the usual cipher, whether the proposals of this bank are now likely to be accepted without further modification.

I am, &c.
(signed) *George Dickson*,
Secretary and Treasurer.

The Secretary and Treasurer, Bank of Bombay,
Bombay.

(No. 1521 of 1867.)

To the Secretary and Treasurer, Bank of Bengal, Calcutta.

Dear Sir,

Bank of Bombay, Bombay, 4 April 1867.

YOUR letter of the 25th March was duly submitted to the Directors of the Bank, and after giving the subject their best consideration, they instructed me to telegraph to you on 2nd instant as follows :—

“Wilson to your letter of the 7th March. Your reply of the 25th indicates some “misunderstanding on certain points. Can Dickson come here to consult?”

2. The object of this message was to assure your directors that there was every disposition on the part of my directors to treat the proposals for the amalgamation of the banks in a fair and liberal spirit, and though they still think that your acceptance of the terms proposed in my letter of the 16th would have facilitated matters, with the view of avoiding further delay and discussion, they are willing to accept generally the terms proposed in your minute of the 1st March. They are however of opinion that the details of the arrangement, especially on such questions as the liquidation of the assets of this bank and transfer of business, would be better carried on by a personal interview with yourself, and are anxious to have the benefit of your knowledge and experience in carrying these out.

3. My Directors believe that arrangements may be entered into with this Government by which the proposed advance of 65 lakhs may be reduced to about 17, and as this sum could not in any way hamper the operations of the bank, they do not anticipate that your Board would have any objections to grant assistance to this extent, if required in the course of liquidation, but I must again repeat what I stated in my former letter that there would be little probability of any advance being required.

4. We were anxious to obtain for our shareholders the option of paying up their proportion of capital at latest by June, so as to benefit by the dividend in December, but we are willing to modify this proposal so far as to limit the amount of capital to be paid on that date to 50 lakhs of rupees; the Bombay shareholders to have the option of taking up their allotments either on the 30th June or 31st December 1867, with participation in dividend from the date of payment. This seems to be in accordance with your first proposal, and we cannot but fear that, unless such a concession is granted, the attempts to carry out the arrangements are likely to be frustrated by the opposition of our shareholders.

5. With regard to the proposed periods for payments of the instalments of capital by the shareholders of the bank, the directors would suggest that the capital should be paid up on the following dates:—

Fifty lakhs on the 30th June 1867.

Fifty lakhs on the 31st December 1867.

And that the penalty for non-payment within one month after due date, should be 30 per cent. premium, and during the second month 35 per cent. premium.

6. There appears to be some misunderstanding regarding our views as to the proportion of capital to be allotted to the shareholders of the Bank of Bombay. If you will have the goodness to refer to the 11th para. of my letter of the 16th March, you will observe that my remarks referred to the rate per cent. of premium at which the Bombay portion of the capital was to be subscribed, and not to the amount of capital. It was certainly not the intention of the directors to ask for a larger share of the capital than one crore of rupees, but they suggested that it, as well as the 80 lakhs to be raised in Bengal, should be contributed, bearing a premium of 15 per cent. only, and not 25 per cent. This proposal was however withdrawn by my telegram of the 25th March to you.

7. My directors are far from wishing to extend the negotiations by asking for any unreasonable modifications, but they cannot help feeling that there will be considerable opposition on the part of the shareholders to the terms now offered.

I am, &c.
(signed) J. Stuart, Secretary and Treasurer.

THE following Telegrams have been received from the Bank of Bengal:—

“ Calcutta, 4 April 1867.

“ Mr. Dickson prepared to go to Bombay, but cannot leave until the 15th. Directors wish to have, in the interim, a written reply on points indicated in your telegram of the 2nd.”

“ Calcutta, 11 April 1867.

“ Your letter of the 4th received. Directors agree generally to accede to your proposals in 4th and 5th paragraphs, with alternative proposal of 40 lakhs to be paid by each bank in June. Leave minor details for personal interview; whole offer contingent on Government sanction to this bank to commence operations under provisional agreement in Bombay on 1st July next. Telegraph date of meeting of your shareholders.”

..

EXTRACT from a demi-official LETTER from His Excellency the Governor of Bombay to His Excellency the Viceroy and Governor General of India, dated 24th April 1867.

I AVAIL myself of your invitation to write to you privately when I think it desirable to do so, in preference to making an official communication to you in the ordinary course. You will perceive by the enclosed letter from the Secretary of the Bank at Bombay, and have, perhaps, already learnt from other sources—

1. That considerable opposition is manifested to the proposed amalgamation of the bank with the Bank of Bengal.
2. That the directors, and most probably a majority of their constituents, are of opinion that a reconstituted Bank of Bombay might satisfactorily commence business with a fresh capital of 50 lacs of rupees paid up, and a further sum of about 50 lacs to be added on the realisation of the assets of the present bank: and
3. That the shareholders in Bombay on receiving an assurance that the business of the Government would be continued to a reconstituted bank would use every effort to raise the requisite capital, rather than amalgamate with the Bank of Bengal.

The directors do not state whether or not they believe that the efforts of the shareholders would probably be successful, though I am informed there is every reason to believe that they would; and it may be observed that an equal, or even larger, amount will be required to be forthcoming in the event of an amalgamation as the contribution on the part of the Bombay shareholders to the augmented capital of the new bank.

I refrain from offering an opinion at the present moment as to the relative advantages which the public at large may expect to derive from the reconstruction of the Bank of Bombay on the one hand, or on the other hand from the establishment in Bombay of a new branch of an amalgamated bank of India. For even if it be assumed that a preference ought to be given from general considerations to a local bank closely connected with the commerce of Bombay, supported and administered by men identified with the interests and advancement of the city, the advisability of reconstruction at the present moment must clearly depend in a great measure on the support that the reconstructed bank may obtain from the public at the commencement, and, in the opinion of the directors, this must depend mainly, if not entirely, upon the continuance to the bank of the Government business as regards the custody of the Treasury balances.

It is with reference to this point that I am anxious to have your opinion, and to obtain it, if you will be good enough to give it me confidentially in this unofficial form. It would obviously be most unfortunate for the shareholders of the bank if, while the question of amalgamation is still unsettled, and while any of the conditions are unascertained, it should be officially announced by the Government of India that so little confidence can be felt in the future management of a bank at Bombay that they decline to sanction the custody of the Treasury balances being given to the new bank, a privilege which has been possessed by the former bank for many years, and is continued to the existing establishments in Calcutta and Madras. On the other hand, if the opinion of the Government of India be adverse to the continuance of this privilege to a new bank, it will not be difficult for me to discourage and stay the attempt at reconstruction without a refusal being given officially in a manner to prejudice the interests of the existing shareholders.

May I ask you therefore, whether, if this Government is satisfied by careful examination that the general feeling is adverse to amalgamation, and that the reconstruction of the Bank of Bombay would be generally supported and could be effectively carried out, provided that it has continued to it the custody of the Treasury balances, and is therefore prepared, upon a full consideration of all the circumstances, to recommend to the Government of India that an assurance to that effect should be given to the directors, the Government of India would give its assent to such an arrangement.

As you will see by the letter of the Secretary, time presses, and an early answer is requested from this Government. May I beg you, therefore, to send me a reply by cipher telegram, as soon as possible.

I fear you will think I have somewhat abused your permission to write to you direct, but the importance of this question of the re-establishment of our bank, either by amalgamation or otherwise, is so important that I feel sure you will pardon the length at which I have been obliged to write.

TELEGRAM, dated 8th May 1867.

From Simla to Bombay.—From the Viceroy to Governor.

THE proposal to merge the Bank of Bombay with the Bank of Bengal originated with the directors of the former bank. The Government of India, without committing themselves to the policy of an amalgamated bank, consented to the proposed negotiation as apparently the only means of extricating the Bank of Bombay from its difficulties. But

if the shareholders in the bank and the capitalists of Bombay are prepared to reconstruct the bank upon an adequate basis of paid up and subscribed capital to the extent of one million, 50 lacs to be paid up on the 1st of August and 50 lacs in March next, at the expiration of the present agreement, the Government will not be indisposed, subject to the approval of the Secretary of State, to entrust the Treasury balances to the new bank.

(Financial Department.—No. 649 of 1867.)

To the Secretary and Treasurer, Bank of Bombay.

Sir,

Bombay Castle, 3 June 1867.

I AM directed by the Right Honourable the Governor in Council to acknowledge the receipt of your letter, No. 2694, dated the 29th ultimo, forwarding a copy of the proposals for the amalgamation of the Banks of Bengal and Bombay.

I have, &c.
(signed) *M. J. Shaw Stewart*,
Acting Chief Secretary to Government.

(Financial Department.—No. 594 of 1867.)

To the Chief Secretary to the Government of Bombay.

Sir,

Simla, 3 June 1867.

WITH reference to previous correspondence, I am directed to request that, with the permission of his Excellency the Governor in Council, the Government of India may be informed whether the directors of the Bank of Bombay have determined on the course to be pursued in reference to the winding-up of the affairs of the existing bank, the re-establishment of the Bank of Bombay on a new basis, or its amalgamation with the Bank of Bengal. Any arrangements for these objects which may be determined upon should be at once communicated.

I have, &c.
(signed) *E. H. Lushington*,
Secretary to the Government of India.

(Financial Department.—No. 22 of 1867.)

To the Under Secretary of State for India, London.

Sir,

Bombay Castle, 24 July 1867.

IN continuation of my letter No. 20, dated the 9th instant, I am directed by

Letter from the Secretary and Treasurer, Bank of Bombay,
No. 3207, dated 6 July 1867.

Reply from the Government of Bombay, No. 32, dated
18 July 1867.

the Right Honourable the Governor in Council to forward to you, for submission to Her Majesty's Principal Secretary of State for India, the accom-

panying copies of further correspondence regarding the Bank of Bombay.

I have, &c.
(signed) *H. E. Jacomb*,
for Acting Chief Secretary to Government.

(No. 3207 of 1867.)

M. J. Shaw Stewart, Esq., Acting Chief Secretary to Government.

Sir,

Bank of Bombay, Bombay, 6 July 1867.

IN reply to your letter No. 787, dated the 1st instant, which was duly submitted to the consideration of the directors of the bank, I am instructed to state that there appears to be some misunderstanding as to the purport of my letter No. 3007, dated 22nd ultimo.

In the preamble of the terms for the amalgamation of the two banks, Appendix A, it is there stated, among other things, that the proposal is subject to the approval of Government, "*and the concession by them of certain privileges contemplated in the formation of a new bank.*"

The concessions therein referred to are certain privileges at present enjoyed by the Bank of Bengal, and which it is considered desirable that the Government of India should continue to the amalgamated bank, and not to any particular privileges to be granted by this Government beyond the continuance of the Government business.

The concessions asked by the directors on behalf of the Bank of Bombay, and referred to in my letters, Nos. 2695 and 2858, of 29th May and 12th ultimo, were assistance either by a guarantee or a cash payment, to enable the bank to pay off all liabilities to the public as soon as it was determined to place the bank in liquidation. This assistance will be necessary in either case, whether the bank is reconstructed as a new local bank, or amalgamated with the Bank of Bengal.

The directors would, therefore, again most respectfully request to be favoured with the early views of Government on the proposed scheme for amalgamation, as unless the amalgamation takes place before 30th September the shareholders of the Bank of Bombay will be precluded from participation in the profits of the amalgamated bank for the present year.

I am, &c.
(signed) J. Stuart,
Secretary and Treasurer.

(Financial Department.—No. 3 P of 1867.)

To J. Stuart, Esq., Secretary and Treasurer, Bank of Bombay.

Sir,

Poona, 18 July 1867.

I AM directed to acknowledge the receipt of your letter No. 3,207, dated the 6th instant, and to send you the following reply, which would have been earlier conveyed to you, but that his Excellency the Governor in Council was led to expect a further communication from the Committee of the shareholders of the bank.

2. In the absence of any such communication, I am now to inform you that his Excellency the Governor in Council feels himself obliged to adhere to the determination to express no opinion as to the terms of amalgamation, until it is clear that that course has been definitively adopted by the shareholders, and that the plan of reconstruction has been abandoned.

3. It is true that in your letter above referred to, the directors do not ask from the Government to declare their preference or otherwise for a plan of reconstruction or amalgamation, but only an opinion as to certain proposed terms on which it is proposed the banks should amalgamate.

4. But, in the first place, this is a question purely for the decision of the shareholders; and, in the second, if the Government were now to express an opinion unfavourable to the scheme of amalgamation, and the result should be that that scheme was set aside, and if further, the shareholders should hereafter fail to subscribe the necessary capital, the charge might, with some plausibility, and at any rate certainly would be made that the Government had induced the shareholders to refuse the assistance that was tendered to them, and which might have relieved them from their difficulties. If, on the other hand, the opinion of the Government was favourable to the terms of amalgamation, without doubt it would be stated that reconstruction was abandoned, not for any indisposition on the part of the commercial community to support such a scheme, but from the opposition of the Government, or their preference for amalgamation.

5. It would, doubtless, be competent for the Government to express an opinion as to the policy relatively of amalgamation or reconstruction, but, in his Excellency's opinion, such an intimation would be inexpedient at the present time, and might probably lead hereafter to misapprehension of the position and obligation of the Government with relation to the bank.

6. I am desired further to point out to the directors that his Excellency the Governor in Council is still without any reply to the letter I had the honour to address you under date the 18th May last, in which the opinion of the Government of India as to the conditions necessary for a reconstruction of the bank, was conveyed to the directors.

7. It

7. It is possible that the directors may consider those conditions too onerous, or such as to forbid the re-establishment of the bank, but it is impossible for his Excellency to make any representation of their views to the Government of India in the absence of any communication from them to that effect.

8. His Excellency the Governor in Council is, therefore, of opinion that it is for the directors and their shareholders to determine what is most desirable for the interest of the bank, and what it is within their means to effect. It will be for the Government afterwards to facilitate the fulfilment of that decision by such means as may be properly within their reach, and in the manner most calculated to serve the mercantile interests of Bombay.

9. I am desired further to point out to you that a reference to the papers communicated to Government on the 22nd ultimo, will show that there was no misunderstanding on the part of Government as to the concessions which it was proposed that the Government should make, and subject to which it was stated that the proposal for amalgamation was made.

10. In your letter of 22nd ultimo two papers were enclosed, respectively marked Appendix A and Appendix B. The former contains the proposal for the amalgamation of the banks, and is declared to be subject to the concession by Government of certain privileges contemplated in the formation of a new bank. The second enclosure, Appendix B, marked "Plan for the formation of a new bank," shows what those concessions were, viz., that Government should consent to transfer their account to the new bank for a fixed period, and on terms favourable to the bank, and to continue their interest therein as shareholders. It was not the object of his Excellency the Governor in Council in my letter of 1st instant to express any opinion adverse to, or to throw any difficulty in the way of, an amalgamation. The extension of some of these privileges might be advisable, of others it might not; but it appeared to his Excellency that it was desirable to guard against the inference being drawn from the silence of the Government on this point, that this basis for amalgamation was tacitly accepted, and that it would be considered necessary or expedient to make all these concessions in order to secure the extension of an existing and flourishing institution, even if it were thought advisable to give them an establishment, which it requires the exertions of all interested to replace on a satisfactory footing.

11. Beyond this intimation, which seemed necessary to prevent misapprehension, his Excellency must decline to give any opinion as to the proposed scheme of amalgamation. It is as clearly for the directors and shareholders to decide whether the scheme proposed is for their interest as it is clear that, whatever concessions may be made by the Government, it is to their own exertions and ability to find a sufficient amount of capital that they must look, to secure the establishment of a new bank.

I have, &c.
(signed) *M. J. Shaw Stewart*,
Acting Chief Secretary to Government.

(Financial Department.—No. 19 of 1867.)

To Her Majesty's Principal Secretary of State for India in Council, London.

Right Honourable Sir,

Bombay Castle, 9 September 1867.

WE have the honour to

forward, for your information, the accompanying copies of the correspondence* between this Government and the Government of India, relative to a petition made by the shareholders of the Bank of Bombay for the appointment of a Commission by Government to inquire into the transactions which have resulted in a loss to the bank of a very considerable proportion of its capital,

- * 1. Telegram from the Government of India, dated 14 August 1867.
2. Minute by his Excellency the Right Honourable the Governor, dated 15 August 1867.
3. Minute by the Honourable B. H. Ellis, dated 15 August 1867.
4. Minute by the Honourable Mr. Mansfield, dated 16 August 1867.
5. Telegram to the Viceroy and Governor General, dated 17 August 1867.
6. Letter to the Government of India, No. 28r, dated 17 August 1867, forwarding copies of the above Minutes.

2. A petition signed by several shareholders has been received from the secretary and treasurer to the bank, but, pending the receipt of a reply from the Government of India, no answer can be given to the memorialists.

We have, &c.
(signed) *Wm. R. Seymour V. Fitzgerald*.
R. Napier.
B. H. Ellis.
S. Mansfield.

TELEGRAM from the Government of India, dated 14th August 1867.

From Simla,
From Governor General in Council,

To Bombay.
To his Excellency the Governor.

WE think that the demand of the shareholders at the half-yearly meeting for a full inquiry into the transactions which have resulted in the loss of three-fourths of the capital of the bank should be promptly met by the appointment of an impartial committee with full powers. We shall be glad to learn what course you propose to take with reference to this subject, which appears to us one of urgent importance.

14 August 1867.

MINUTE by His Excellency the Right Honourable the Governor, dated 15th August 1867.

BEFORE replying to the accompanying telegram, which I have this morning received, I should be obliged if my colleagues would give me their written opinion upon it, so as to enable me to send an answer to day.

2. I have already expressed my own opinion on a letter to our Acting Chief Secretary, which, I believe, has been submitted to them, that it is not desirable to assent to the petition of the shareholders and appoint a commission.

3. There is no reason to suspect that there is anything to distinguish the case of the Bank of Bombay from that of any other joint-stock company which, in a period of commercial excitement and general speculation, has overtraded. If there be any distinction to be drawn it is that, though the shareholders have suffered so grievously, there are assets to meet the liabilities. Probably, some astounding cases of the recklessness with which credit was given might be shown,—where parties not worth a pie obtained credit for lacs. But, except for a sensation, I do not know of what use such anecdotes (for they would amount to nothing more now) would be; and if there are such cases, the shareholders have but to examine their own books to obtain the necessary evidence of them.

4. It may be considered possible, or likely (though I have never heard it alleged), that the directors themselves, or those closely connected with them, have improperly obtained credit from the bank without sufficient security. If this be so, a committee of the shareholders, by an examination of the books, can establish it as easily as a Government Commission.

5. If, however, there be any reason to think that, beyond an improper giving of credit on speculative or insufficient securities, there has been corruption or fraud among the directors or officials of the bank, or any fraudulent combination among others to obtain credit from the bank, then no investigation would be of any use that was not searching and complete, and I have no ability to arm a commission with the powers necessary for the purpose. An investigation that was not made under such powers would do more harm than good. It would appear to have a weight and authority by its connection with Government which it was not entitled to, while the conclusions derived from it would be worthless, and, if they affected individuals, would be impugned, either on the one side or the other, as being based on evidence that was either partial or incomplete.

6. No investigation by a commission can be complete unless that commission has power to compel the attendance of witnesses, the production of all papers, vouchers, and books, and to examine on oath.

7. An Act of the Legislative Council might give these powers within the Presidency only; an act of the Legislative Council of the Governor General would give the more extended power throughout India; but neither could enable the commission to examine parties in England, where, perhaps, the most important evidence might have to be obtained, and without which the inquiry could not be said to be complete.

8. But, after all, it is perhaps sufficient to say that, as far as I know, at no time has either the most suffering shareholder, or the most unscrupulous and defamatory writer in the press, even insinuated that the failure of the bank has arisen from any of the causes the suspicion of which, as I have said, would justify the appointment of a commission with special powers. In this point of view it may be said such an appointment would be satisfactory and of use, as the result would then be, that after Government had passed a special act for the purpose, the commission would have to report that they had used their extraordinary powers to discover fraud and had found none.

9. There is certainly one good that might be obtained from an inquiry,—but that again would be gained from the investigations of a committee of the shareholders as completely as by a Government Commission, if indeed any investigation is at all required to prove it, and that is the utter worthlessness of having Government directors on the bank direction.

10. In my opinion the presence of Government directors on the board is worse than useless, and is positively disadvantageous. It induces a false confidence on the part of the

public; it lessens the sense of responsibility in their commercial colleagues; it lulls to sleep the vigilance of the shareholders; and induces a belief of a liability on the part of Government in case of failure which does not exist.

11. The demand for this Government inquiry seems to me only another exemplification of the universal and evil habit in this country in every case of difficulty or perplexity, whether good is to be obtained or evil avoided, or even on the mere chance of either, of calling on Government to step out of its province and interfere. The cry always is "Government must do something," without those who join in the cry knowing or caring what that something is to be; and in my belief, if there is ever to be any healthy public action in India independent of Government, the sooner such a system is put an end to the better.

15 August 1867.

Wm. S. F.

MINUTE by the Honourable *B. H. Ellis*, dated 15th August 1867.

I ENTIRELY concur in the opinions expressed by the Right Honourable the Governor in respect to the demand for a commission of inquiry.

2. If any inquiry is needed, the shareholders are competent to vote it. Any inquiry instituted by the action of the shareholders, and conducted by a committee chosen from among themselves, would be fully as effective as if made by a Commission appointed by Government. In neither case would the Commission have the means of taking evidence in England, but either would obtain, and present to the shareholders and the public, any facts that might be elicited by a strict examination of the books and inquiry into all the past transactions of the bank.

3. But a Government Commission would be objectionable, as implying a responsibility on the part of Government which does not exist. It may be proper for Government to give every facility for inquiries instituted by the shareholders, but no reason has been given for the appointment of a Commission by Government, and the application seems to proceed from a desire to exhibit a closer connection of Government with the fallen bank by throwing on the State responsibilities which belong to the whole body of shareholders.

4. It has never been alleged that there was anything in the conduct of the Government directors calling for special official inquiry into their conduct. There has never been even a suspicion of anything worse than is patent to the world, and a Government Commission is hardly necessary to discover what is already known.

5. If the shareholders believe that a public and independent inquiry is needed, they have it in their power to obtain such inquiry by going into liquidation through the High Court. The Court could issue commissions to take evidence in England, or elsewhere, and the transactions of the bank directors and managers would come fully under review.

6. If, then, inquiry be desired by the shareholders, it is open to them to make it; though, from the information at present before me, I am unable to gather that any useful end would be attained by inquiry at this stage of the proceedings. In any case I am decidedly of opinion that a Government Commission should not be granted, both because it could do nothing that may not be done as well by the shareholders themselves, and because it would tend to fix on Government responsibilities which I do not admit.

7. I refrain from commenting on the Right Honourable the Governor's remarks regarding the general principle of nominating Government directors, as it is not necessary to discuss this question at present.

15 August 1867.

B. H. E.

MINUTE by the Honourable *S. Mansfield*, dated 16th August 1867.

I FULLY concur with the Right Honourable the Governor that no possible benefit will accrue from the appointment of a Government Commission to inquire into the affairs of the bank. Were such a commission appointed, no doubt many cases would be proved of lacs of rupees having been advanced on insufficient security to persons of no property—of the manager advancing large sums without the knowledge of the directors—of the mercantile members of the direction favouring particular individuals to obtain loans—and of the Government, and indeed of all the directors, being grossly negligent of their duty; but all these facts might be equally well elicited by a committee of the shareholders, or by a commission issued by the High Court if the shareholders desire the bank to be liquidated by the Court.

2. No charge of misconduct, beyond laxity in the discharge of their duties, has ever been made against the directors, and therefore no official inquiry into their conduct is called for, and

and as a Government Commission might imply a responsibility which does not exist, I am of opinion it should not be appointed.

3. I reserve my opinion on the question of Government being shareholders in the bank.

16 August 1867.

S. M.

TELEGRAM to the Viceroy and Governor General, dated 17th August 1867.

From Bombay,

To Simla.

From the Governor of Bombay,

To the Viceroy.

WE are of opinion that petition for the issue of a commission by Government should not be assented to. Without special powers conferred by Legislative Act it would be useless, and, in our opinion, such an interference by Government is undesirable. More complete answer by post.

17 August 1867.

(Financial Department.—No. 28 P of 1867.)

To the Secretary to the Government of India.

Sir,

Poona, 17 August 1867.

I AM directed by the Right Honourable the Governor in Council to acknowledge the receipt of the following telegram:—

“From Simla,

To Bombay.

“From Governor General in Council,

To His Excellency the Governor.

“We think that the demand of the shareholders at the half-yearly meeting for a full inquiry into the transactions which have resulted in the loss of three-fourths of the capital of the bank should be promptly met by the appointment of an impartial committee with full powers. We shall be glad to learn what course you propose to take with reference to this subject, which appears to us one of urgent importance.”

2. In reply, I am directed to forward copy of the telegram dispatched this day by his Excellency the Governor, and of the Minutes recorded by the Honourable Board.

I have, &c.

(signed) *M. J. Shaw Stewart,*
Acting Chief Secretary to Government.

(Financial Department.—No. 25 of 1867.)

To Her Majesty's Principal Secretary of State for India in Council, London.

Right Honourable Sir,

Bombay Castle, 28 September 1867.

IN continuation of our Despatch, No. 19, dated the 9th instant, we do ourselves the honour to forward, for your information, copies of the papers noted in the margin, relative to a request of certain of the shareholders in the Bank of Bombay for a full and impartial inquiry into the causes of the loss of a great portion of the capital of the bank, and for the issue of a commission for that purpose.

1. Letter from the Secretary and Treasurer, Bank of Bombay dated 9 August 1867, with its accompanying Memorial from certain of the Shareholders of the bank.
2. Letter from the Secretary and Treasurer, Bank of Bombay dated 13 August 1867, with ditto.
3. Letter from the Government of India, No. 2420, dated 4 September 1867.
4. Letter to Messrs. Chapman and Bellasis, and others, No. 1165, dated 23 September 1867.
5. Letter to the Secretary and Treasurer, Bank of Bombay No. 1166, dated 23 September 1867.
6. Letter to the Government of India, No. 1167, dated 23 September 1867.

We have, &c.

(signed) *Wm. R. Seymour V. Fitzgerald.*
R. Napier.
B. H. Ellis.
S. Mansfield.

The Chief Secretary to Government, Poona.

Sir,

Bank of Bombay, Bombay, 9 August 1867.

I HAVE the honour, by desire of the directors of the bank, to forward the enclosed petition, and request the favour of your transmitting it to his Excellency the Governor in Council.

I have, &c.
(signed) *J. Stewart*,
Secretary and Treasurer.

To His Excellency the Right Honourable *William Robert Seymour Vesey Fitzgerald*,
Governor and President in Council of Bombay.

THE humble Petition of Charles Edward Chapman and Augustus Fortunatus Bellasis,
on behalf of the shareholders of the Bank of Bombay,

Showeth,—

THAT it appears, on the report of the directors of the Bank of Bombay submitted to the shareholders at their annual general meeting, on Monday, the 5th of August 1867, that about three-fourths of the capital of the said bank is lost. Wherefore your Petitioners respectfully pray that a full and impartial inquiry may be made into the causes of this loss, and that your Excellency in Council will be pleased to issue a commission for that purpose.

And your Petitioners will ever pray, &c. &c.

Bombay, 9 August 1867.

(signed) *C. E. Chapman.*
A. F. Bellasis.

(No. 3824 of 1867.)

The Chief Secretary to Government, Poona.

Sir,

Bank of Bombay, Bombay, 13 August 1867.

I HAVE the honour, by desire of the directors of the bank, to forward the enclosed Petition, and request the favour of your transmitting it to his Excellency the Governor and President in Council.

I have, &c.
(signed) *J. Stuart*,
Secretary and Treasurer.

To His Excellency the Right Honourable *William Robert Seymour Vesey Fitzgerald*,
Governor and President in Council of Bombay.

THE humble Petition of the undersigned shareholders of the Bank of Bombay,

Showeth,—

It appears, on the report of the directors of the Bank of Bombay submitted to the shareholders, at their general meeting, on Monday, the 5th of August, 1867, that about three-fourths of the capital of the said bank is lost. Wherefore your Petitioners respectfully pray that a full and impartial inquiry may be made into the causes of this loss, and that your Excellency in Council will be pleased to issue a commission for that purpose.

And your Petitioners will ever pray, &c. &c.

(signed) *A. F. Bellasis.*
C. E. Chapman.
Henry Cleveland.
W. Loudon.
H. Maxwell.
C. Rustomji Modi, Treasurer and Manager,
Bombay Trading and Banking Association.
Cursetjee Jehangeer, Taraehund.
Sorahjee Cowasjee, Powalla.
Dossobhay Framjee, Dewacha.
Cursetjee Pallanjee, Powalla.
Eduhjee Nusserwanjee.

ॐ नमो भगवते वासुदेवाय

(Financial Department.—No. 2420.)

To the Acting Chief Secretary to the Government of Bombay.

Sir,

IN reply to your letter No. 28 P, dated 17th August 1867, I am directed to observe that a commission by Government to inquire into the affairs of the Bank of Bombay was not recommended by the Government of India in their telegram of the 14th ultimo. What the Governor General in Council advised was that an impartial committee should be appointed to inquire into the transactions which had led to the loss of three-fourths of the capital of the bank.

2. It would, therefore, in the opinion of this Government, be sufficient if his Excellency the Governor in Council should think fit, in answer to the shareholders, to express concurrence in the expediency of the proposed investigation, and would promise the co-operation of Government in forwarding any inquiry which the shareholders might think fit to institute by means of a committee of their own body.

3. The Governor General in Council considers that if the application for an inquiry were refused, it would have the appearance that the Government had resolved to attempt to stifle the inquiry desired by the shareholders. Considering that the most influential directors of the Board of Management were nominees of the Government, it would be unreasonable for the Government to tell the shareholders that they should have no inquiry into the circumstances by which it came to pass that three-fourths of the capital of the bank was dissipated, and that such an inquiry was needless. The shareholders have a right to expect the countenance and aid of the Government in prosecuting a thorough investigation, and the Government should not lay itself open to the observation that it was attempting to screen its own nominees from any responsibility which may attach to them.

I have, &c.
(signed) *E. H. Lushington*,
Secretary to the Government of India.

Sinla, 4 September 1867.

(Financial Department.—No. 1165 of 1867.)

To *C. E. Chapman*, Esq., *A. F. Bellasis*, Esq., and others, Shareholders in the Bank of Bombay.

Gentlemen,

Bombay Castle, 23 September 1867.

I AM directed by the Right Honourable the Governor in Council to acknowledge the receipt of your memorials, in which you request that a full and impartial inquiry may be made into the causes of the loss of a great portion of the capital of the bank, and that a commission may be issued for that purpose.

2. In reply, I am desired to inform you that his Excellency the Governor in Council can offer no objection to the proposed investigation if the shareholders require it, and will afford his co-operation in forwarding any inquiry which they may think fit to institute by means of a committee of their own body. But the Governor in Council feels himself precluded from issuing a commission as proposed by you, or appointing a committee of inquiry.

I have, &c.
(signed) *M. J. Shaw Stewart*,
Acting Chief Secretary to Government.

(Financial Department.—No. 1166 of 1867.)

To the Secretary and Treasurer, Bank of Bombay.

Sir,

Bombay Castle, 23 September 1867.

I HAVE received your letters noted in the margin, and laid them before the Right Honourable the Governor in Council, together with the memorials from certain shareholders in the Bank of Bombay enclosed in them.

9th August 1867,
No. 3,753.
13th August 1867,
No. 3,824.

2. The Governor in Council desires me to request that you will be so good as to communicate to the memorialists the accompanying reply.

I have, &c.
(signed) *M. J. Shaw Stewart*,
Acting Chief Secretary to Government.

(Financial Department. —No. 1167 of 1867.)

To *E. H. Lushington, Esq.*, Secretary to the Government of India.

Sir,

Bombay Castle, 23 September 1867.

I AM directed by the Right Honourable the Governor in Council to acknowledge your letter No. 2420, of the 4th instant, and to state that there can be no difficulty in adopting the course now suggested by the Government of India, as it is in fact almost identical with that proposed in the minutes of the Members of this Government.

2. I am desired, therefore, to forward to you copy of the reply which I have this day forwarded, by the direction of Government, to the secretary and treasurer of the Bank of Bombay.

3. The Right Honourable the Governor in Council directs me also to state that the shareholders of the bank, who memorialized this Government, asked that a Commission might be issued for the purpose of inquiry, and the telegram of the Right Honourable the Viceroy suggested that this request should be promptly met on the part of the Government by the appointment of an impartial committee with full powers. He, therefore, understood that the Government of India desired that this Government should accede to the request of the shareholders, which, for the reasons already recorded, appeared undesirable.

4. His Excellency in Council concurs in the opinion that it would be unreasonable for the Government to tell the shareholders that they should have no inquiry into the circumstances by which it came to pass that three-fourths of the capital of the bank were dissipated, and more especially for the reason that it is entirely beyond the competence of the Government to prevent an inquiry, the institution of which rests with the shareholders alone.

5. In conclusion, His Excellency in Council does not conceive that this Government lays itself open to the observation that it desires to screen its own nominees from the responsibility which may attach to them, by pointing out the inconveniences and objections to the course recommended by the shareholders, and which, if his Excellency understands your Despatch aright, are equally felt by the Government of India.

I have, &c.

(signed) *M. J. Shaw Stewart*,
Acting Chief Secretary to Government.

(Financial. — No. 165.)

To His Excellency the Right Honourable the Governor in Council, Bombay.

Sir,

India Office, London, 23 November 1867.

Para. 1. I HAVE considered in Council your Financial Letters, dated the 9th and 28th September last, Nos. 19 and 25, with which you forward copies of correspondence with the Government of India relative to a petition from shareholders of the Bank of Bombay, praying that a Commission may be appointed by Government to inquire into the transactions which have resulted in the loss of a considerable portion of the capital of the bank.

2 The course which, in communication with the Government of India, you have adopted, in informing the memorialists that you were prepared to co-operate with the shareholders in forwarding any inquiry which they may think fit to institute by means of a committee of their own body, but that no Commission or Committee of Inquiry could be appointed by Government, appears to be judicious, and has my approval.

I have, &c.

(signed) *Stafford H. Northcote*.

(Financial Department.—No. 31 of 1867.)

To the Under Secretary of State for India, London.

Sir,

Bombay Castle, 28 September 1867.

I AM directed by the Right Honourable the Governor in Council to forward to you, for submission to Her Majesty's Secretary of State for India in Council, the accompanying copy of a letter, dated 20th instant, from certain shareholders in the Bank of Bombay relative to the losses which have been sustained by the bank. **

2. I am

2. I am, at the same time, desired to state that the decision of this Government on the subject of the above letter will be communicated to Her Majesty's Secretary of State by the next mail.

I have, &c.
(signed) *M. J. Shaw Stewart,*
Acting Chief Secretary to Government.

To His Excellency the Right Honourable *William Robert Seymour Vesey Fitzgerald,*
Governor and President in Council.

Right Honourable Sir,

THE history of the Bank of Bombay during the past three years, so far as concerns the matter of our present appeal, is so well known that it is unnecessary for us to state it at length. It suffices to say, that culpable mismanagement has ruined the bank.

The course which should be adopted to supply the public need, either by reconstructing the bank or by enabling the Bank of Bengal to take up the proper business of the Bank of Bombay, is under consideration of the directors of the bank, the mercantile community, and the Government, and we do not now intend to treat thereof.

Our present purpose is, as shareholders of the capital stock of the Bank of Bombay, to urge for consideration, by your Excellency's Government, a point which, as it seems to us, our directors and the Government have scarcely noticed or acknowledged, to wit, that the Government should bear a large portion of the loss attending the bad management of the bank.

The responsibility of the Government is by no means measured by the number of its shares. That responsibility would be very nearly the same if the Government had held no shares, but had only exercised the predominant oversight of the bank, which is imposed and secured by the original legislative enactment for the construction of the bank, and continued by successive enactments and by repeated authoritative action.

The original Act, No. 3, of 1840, has the following preamble:—

"Whereas the honourable Court of Directors of the East India Company, by and with the approbation of the Board of Commissioners for the affairs of India, have sanctioned the establishment of a Bank of Bombay on the same principles as were prescribed for, and have been observed in, the re-incorporation of the Bank of Bengal, by Act No. 6, of 1839; and whereas the said Court of Directors have directed the body of proprietors in existence at the date of the despatch which contained the said sanction for the incorporation of a bank at Bombay, to be the proprietors in whose favour the Act of incorporation is to be passed."

The Act goes on to provide, amongst other things, that 300 shares (being about 1-17th of the whole stock) shall be the property of Government; that payment of the amount of subscriptions to the capital stock shall be made to the sub-treasurer of the Government of Bombay for the time being; that the business of the bank shall be managed by nine directors, of whom three shall be appointed and removable by the Governor in Council of Bombay; that the first six elected directors shall be elected at a meeting to be held in the Town Hall of Bombay, at such time as the Governor in Council of Bombay may fix by public notification in the official "Gazette" of that Presidency; and it further provides sundry restrictions as to the kind of business to be conducted by the bank, all such restrictions tending to the security and stability of the bank.

It is notorious that the Bank of Bombay has been always regarded as a Government institution. It is demonstrable by the evidence above noted, and by much further evidence, if the point be disputed, that it was rightly so regarded.

We, or others on our behalf, have purchased the stock of the Bank of Bombay as being a Government institution, and as, therefore, affording a safe and unobjectionable investment. Many of us are persons who have so invested the savings of a lifetime spent in the Government service in India, and now lose the means of their own support in age or of support and education of their families; others are widows of Government servants who, with their children, are still more completely dependent upon the provision which had been made for them by investment in the capital stock of the Government bank. Some are trustees who, in reliance on the character of the investment, and under sanction of the law courts, have invested their trust funds in this bank stock. We have all, without exception, relied upon the security which a Government institution is supposed to offer.

We beg your Excellency in Council to bear in mind that the money loss which the State incurs, in respect of its shares in the bank stock, is insignificant as a public burden, whilst on the other hand, the power and the consequent responsibility of the Government in the management of the bank far exceeded that which would fall to it as a mere shareholder; and we confidently press our claim, as simply just, that the State should bear some considerable portion of the loss, to the relief of those private persons, its servants, and others, who suffer so grievously from their confidence in the Government direction of the bank.

There are, as it seems to us, considerations of public policy which might induce support of our plea; but we forbear these, both because it is not our place to tender advice to your Excellency's Government, and because we feel a reasonable confidence in the wisdom and justice of your Excellency in Council, of the Government of India, and of Her Majesty's

Secretary

Secretary of State in Council, to determine this claim when fairly stated, as we hope it is, by this appeal.

We have, &c.

(signed) *Abbott, H. D.*, Colonel, Madras Staff Corps.
Ashburner, L. R., Bombay Civil Service.
Anderson, W. C., Lieut. Col., Staff Corps.
Biden, H., Major, Madras Staff Corps.
Bradford, E. R. C., Captain, Madras Staff Corps.
Cursetjee Palunjee Powalla.
Cowasjee Pestonjee Framjee Cama.
Daly, H. D., Colonel, Bombay Staff Corps.
Dady Manockjee Limjee, son and heir of Manockjee Limjee.
Dorabjee Pallunjee Powalla.
Dadabhoy Framjee Devacha.
Dadabhoy Framjee and Navejbye, Widow of Furdoonjee Framjee Devacha.
Eduljee Nasherwanjee, Graduate, Grant College.
Eduljee Pestonjee.
Flood, Frederick, Major, 82nd Foot.
Francis, F. E., Major.
Foggo, George.
Fenner, W. A., Forest Ranger in Scinde.
Gage, D., Colonel, R. H. A.
Haggard, T. T., Lieut. Col., Royal Artillery.
Harvey, A. A., Widow.
Howard, W.
James, C., Major, Madras Staff Corps.
Jamsetjee Dorabjee Dobash.
Lord, R. G., M.D., Surgeon Major.
Marston, E. C., Lieut. Col., Bombay Staff Corps.
Maitland, G., Surgeon Major.
Mayne, J. D., Acting Advocate General, Madras.
Marriott, W. F.
Martin, C., Captain.
Meade, R., Lieut. Col., Bengal Infantry.
Muncharjee Menockjee.
Municherjee Ruttonjee, late Surveyor, Surat, Pensioner.
Nicholells, G., Captain, Bombay Staff Corps.
Neale, W. A., Lieut. Col., Staff Corps.
Nussurwanjee Cooverjee, Executor of late Chandunbaee, Widow of Byrumjee Cawasjee Bottlewalla.
Oakes, R. F., Captain, R. E.
Pelly, H. J., Major General, Bombay Staff Corps.
Pestonjee Dhunjeebhoy.
Rivers, Harry, Major General.
Reid, A. F., Captain, Bombay Staff Corps.
Skinner, P. K. M., C.B., Major Gen., Bombay Staff Corps.
Shekleton, J., Lieut. Col., Royal Artillery.
Sorabjee Merwanjee Mestry.
Westropp, R. M., Lieut. Col., Poona Horse.
Walker, C. W., Lieut. Col., Staff Corps.
Wood, J. A., Lieut. Col., Staff Corps.
Worsley, G. F., Captain, Royal Artillery.

Bombay, 20 September 1867.

We hereby certify that the original signatures of the persons whose names are above written are in our possession, and can be produced when required.

(signed) *Forbes & Co.*

(Financial Department.—No. 35 of 1867.)

To the Under Secretary of State for India; London.

Sir,

Bombay Castle, 14 October 1867.

WITH reference to my letter, No. 31, dated 28th ultimo, I am directed by the Right Honourable the Governor in Council to forward, for submission to Her Majesty's Secretary of State for India in Council, the accompanying copy of my letter of the 12th instant, to the address of Messrs. Forbes & Co., in reply to the memorial from certain shareholders in the Bank of Bombay, urging that
the

the Government should bear a large portion of the loss attending the bad management of the bank.

I have, &c.
(signed) *M. J. Shaw Stewart*,
Acting Chief Secretary to Government.

(Financial Department.—No. 83 P. of 1867.)

To Messrs. *Forbes & Co.*, Bombay.

Gentlemen,

Poona, 12 October 1867.

I AM directed by the Right Honourable the Governor in Council to acknowledge the receipt of your letter of the 20th ultimo, purporting to be signed by a large number of shareholders in the Bank of Bombay, and urging that the Government should bear a large portion of the loss attending the bad management of the bank.

2. In reply, I am directed to state that the Right Honourable the Governor in Council is of opinion that the claim advanced in your letter is one that cannot be acceded to. While regretting deeply the loss that has befallen an institution carried on for many years in direct communication with the Government of Bombay, his Excellency the Governor in Council cannot admit that Government can be held responsible for the result. Although Government was entitled to nominate three out of the nine directors who were entrusted with the direct management of the affairs of the bank, yet the other shareholders had a predominant influence, through their right of appointing six directors, and still more through their power of controlling the proceedings of the directors at their general meetings. The shareholders alone could exercise this power, inasmuch as Government had no authority to interfere except as a shareholder, in which capacity it was entitled, under section 18 of the Charter Act of 1840, to give in respect of its (300) three hundred shares, at any general meeting of the proprietors, the same number of seven votes as might be given by any proprietor of (160) one hundred and sixty shares, with the limitation that Government should have no voice in the election of the directors not appointed by itself.

3. Looking to the whole history of the Government connection with the banks of Bengal and Madras, as well as of Bombay, the Right Honourable the Governor in Council is unable to see that the Government has in any way become responsible for the internal management of the bank's affairs, or for any loss that the shareholders have suffered through mismanagement.

I have, &c.
(signed) *M. J. Shaw Stewart*,
Acting Chief Secretary to Government.

(Financial Department.—No. 36 of 1867.)

To the Under Secretary of State for India ; London.

Sir,

Bombay Castle, 14 October 1867.

I AM directed by the Right Honourable the Governor in Council to forward to you, for submission to Her Majesty's Secretary of State for India in Council, the accompanying copies of letters, noted in the margin, relative to a proposal for the formation of a new Bank of Bombay.

Letter from the Secretary and Treasurer, Bank of Bombay, No. 3468, dated 20 July 1867, with enclosures.
Letter from ditto, No. 4561, dated 3 October 1867, with enclosure.
Letter from ditto, No. 4580, dated 5 October 1867, with enclosure.
Letter to ditto, No. 78 P., dated 12 October 1867.

I have, &c.
(signed) *M. J. Shaw Stewart*,
Acting Chief Secretary to Government.

(No. 3468 of 1867.)

The Chief Secretary to Government, Financial Department, Bombay.

Sir,

Bank of Bombay, Bombay, 20 July 1867.

I HAVE the honour, by desire of the directors of the Bank, to forward, for consideration of his Excellency the Governor in Council, copy of a letter, dated 19th instant, received from the secretary to the provisional committee appointed by the shareholders for the re-construction of the bank, and also an amended prospectus of the new Bank of Bombay.

I have, &c.
(signed) *J. Stuart*,
Secretary and Treasurer.

To *John Stuart*, Esq., Secretary and Treasurer, Bank of Bombay.

Dear Sir,

Bombay, 19 July 1867.

I HAVE the honour, by desire of the committee for re-construction, appointed by the shareholders on the 16th instant, to hand you a copy of an amended prospectus, and to request you will, with the sanction of the Board, lay it before his Excellency the Governor in Council for his approval.

The committee have fixed the amount of capital to be raised, independently of the assets of the old bank, at 50 lacs, this sum being, in the opinion of all the leading members of the mercantile community, both European and native, more than sufficient for the present and probable requirements of the bank for some time to come.

The committee, therefore, trust that his Excellency will be pleased to urge on the Government of India a modification of their views on this point, conveyed in the letter of the Government of Bombay to the bank, dated 18th May last.

They feel perfect confidence, having regard to the number of applications which have been received since the appointment of this committee, that there will be no difficulty in raising the capital proposed, and trust that, should Government approve the terms upon which it is now proposed to reconstruct the bank, his Excellency the Governor in Council will be pleased to intimate the relations into which Government will be prepared to enter with it, so soon as he may be in a position to do so.

I remain, &c.
(signed) *W. Fraser*,
Secretary to the Provisional Committee.

PROSPECTUS of the NEW BANK of BOMBAY.

(To be registered under Act X. of 1866, with liability limited to 500 rupees per share, pending the grant of a new Charter.)

Provisional Committee.

Honourable A. Brown.
H. Forman, Esq.
Kessowjee Naik, Esq.
Henry Maxwell, Esq.

A. J. Macdonald, Esq.
Ahmedbhoy Hubibbhoy, Esq.
W. Nicol, Esq.

Solicitors.—Messrs. Kelly & Co.

Capital.—One crore of rupees, in 20,000 shares of 500 rupees each, with power to increase up to two crores.

First issue, 10,000 shares.

Reserved issue, 10,000 shares, presently referred to.

Constitution and Objects.—Similar to the present Bank, as amended by recent enactments.

Capital.—Subscriptions are invited from the present shareholders and the public for the first issue of 10,000 shares, at par, in the allotment of which the said shareholders shall have the preference to the extent of one share for every two shares now held by them, the shares not taken up by them to be allotted to the public, regard being had to date of application. Deposit of 5 per cent., or 25 rupees per share, to be paid on application, which deposits are to be invested in Government paper in the names of two or more members of the Provisional Committee until the allotment of shares has been made; 225 rupees per share, being the balance of 250 rupees, the amount of first call, to be paid on allotment, say, the 15th November next, and the balance of 250 rupees in two instalments of 125 rupees each, payable on 15th January and 1st March 1868, respectively. Payments on these shares are to be made in cash, by the shareholders as well as the public, and interest at the rate of five per cent. will be allowed on all payments made in advance. The periods of payment and allotment have been deferred in order to enable the present shareholders resident in England to avail of the first issue. If the monies due on allotment be not paid within 10 days from that date, the allotment will be cancelled, and the deposit money forfeited. On all sums past due in respect of calls, interest will be charged at a rate of not less than 12 per cent. per annum.

The balance of 10,000 shares will be reserved for the holders of shares in the present Bank of Bombay at the same time such allotment shall be made, in the proportion of one new share for two old shares. Any shares not taken up shall be allotted as the directors may determine. The last-mentioned issue shall be made when the assets realized from the old bank shall, after providing for all its liabilities, amount to the sum of 10 lacs of rupees,

rupees, when certificates of shares will be issued each credited with 100 rupees; and further sums of 100 rupees shall be credited as realized from time to time, as and when the surplus assets realized from the old bank shall be sufficient for that purpose. In the event of the assets of the Bank of Bombay not realizing the sum of 500 rupees per share, it shall be competent for the directors to enforce payment of any balance due on the last-mentioned shares on the 31st March 1869.

The new Bank of Bombay shall be entirely distinct and separate from the old bank, and shall only take over the approved current and deposit accounts of the latter, with sufficient cash and approved assets to meet such current and deposit accounts, save as to the deposit account of Government, which, it is assumed, is to be continued with the new bank.

The new Bank of Bombay shall allow the old bank such rate of interest on all cash balances which may, during the liquidation of the latter, stand to the credit of its account as may be agreed on, and shall be entitled to charge interest at the highest rate current for all advances made by them and standing to the debit of the old bank.

The new bank to assume the goodwill of the old bank's business without any further consideration than the preference given in the allotment of shares to the present shareholders.

Applications for shares in the annexed form will be received as follows:—From residents of Bombay up to the 9th of August next; from persons resident up-country until the 20th of August; from Europe up to the 15th day of November next.

(signed) *W. Fraser,*
Secretary to the Provisional Committee.

Bombay, 19 July 1867.

NEW BANK OF BOMBAY.

Form of Application for Shares.

To *J. Stuart, Esq.,* Secretary and Treasurer, Bank of Bombay.

Sir,

1867.

I REQUEST that you will register my application for _____ shares in the new Bank of Bombay on the terms of prospectus issued on the 19th July 1867, and I hereby agree to accept the above or any less number of shares which may be allotted to me, and to pay all calls due thereon.

I enclose a check for _____ rupees, the deposit, on application, of 25 rupees] per share on the above _____ shares.

I am, &c.

Name in full _____

Profession _____

Address { _____

NEW BANK OF BOMBAY.

Bombay, _____ 1867.

RECEIVED of _____ the sum of _____ rupees,
being deposit on application for _____ shares in the New Bank of Bombay.

For the Bank of Bombay,

Rs.

Head Accountant.

(No 4561 of 1867.)

The Chief Secretary to Government Financial Department.

Sir,

Bank of Bombay, Bombay, 3 October 1867.

WITH reference to my letter, No 3468, dated 20th July last, I have the honour by desire of the directors of the bank, to forward, for the consideration of his Excellency the Governor in Council, copy of letter, dated 3rd instant from the provisional committee of the new Bank of Bombay.

2. At the last annual meeting of the shareholders of this bank, held on the 12th August, it was resolved that the directors should call a general meeting on the 20th November, for the purpose of placing the bank in liquidation and handing over the current business to the new bank.

3. The directors would therefore, most respectfully request that his Excellency the Governor may be pleased at his early convenience, to favour the committee with his approval of the prospectus, and the intentions of Government with regard to its connection with the new bank, as it is of the utmost importance that steps should be immediately taken to enable the new bank to commence business in November, so soon as this bank is placed under liquidation.

4. I am further instructed to state that the directors concur in the views expressed by the provisional committee that 50 lakhs of rupees of capital is amply sufficient to commence business with.

I have, &c.
(signed) *J. Stuart*,
Secretary and Treasurer.

To *John Stuart*, Esq., Secretary and Treasurer, Bank of Bombay.

Dear Sir,

Bank of Bombay, Bombay, 3 October 1867.

I AM directed by the provisional committee of the new Bank of Bombay to request that you will obtain the sanction of the directors of the bank to represent to his Excellency the Governor in Council the importance of an immediate reply to our former letter of 19th July, submitting for the favourable consideration of Government the prospectus of the bank.

2. There are now 1,062 applicants for upwards of 18,000 shares from the shareholders of the present bank and the public, and any material alteration in the prospectus would render necessary a reference to each of the subscribers, many of them resident in England, and this would postpone the establishment of the new bank for an indefinite period; the committee therefore earnestly hope that his Excellency the Governor in Council will be pleased to express his approval of the prospectus and intimate the intention of Government as to the connection with the bank, and the continuance of the cash balance.

3. At the general meeting of the shareholders of the present bank, to be held on the 20th November, it is intended that resolutions will be submitted for placing the bank in liquidation, appointing liquidators with authority to hand over the business to the new bank; it is therefore absolutely necessary that the new bank should be ready on that date, or as soon after as possible, to take up the business of the old bank, and this can only be done by an early reply from Government to enable the committee to take immediate steps for the formation of the new bank.

4. The committee would take this opportunity of stating that they have received from the mercantile firms and banks of London and this city opinions that a paid-up capital of 50 lacs of rupees, in the first instance, is ample to meet all the probable requirements of the place, and, if so, it seems to the committee that, with proper precaution taken to secure good management, it would, at the same time, be considered by Government sufficient security for the banking account.

5. The committee would, therefore, most respectfully and earnestly urge upon his Excellency the Governor in Council, the necessity of being favoured with the views of Government on this subject at an early date.

I am, &c.
(signed) *T. B. Macnab*,
Acting Secretary, Provisional Committee,
New Bank of Bombay.

(No. 4580 of 1867.)

The Chief Secretary to Government, Financial Department, Poona.

Sir,

Bank of Bombay, Bombay, 5 October 1867.

WITH reference to my letter, No. 4561, dated 3rd instant, I have the honour now to enclose copy of a letter dated 5th instant, from the provisional committee of the new bank, and to request that it may be submitted to his Excellency the Governor in Council along with the letter from the committee dated 3rd instant.

I have, &c.
(signed) *J. Stuart*,
Secretary and Treasurer.

(No. 931 of 1867.)

J. Stuart, Esq., Secretary and Treasurer, Bank of Bombay.

Dear Sir,

Bombay, 5 October 1867.

IN continuation of my letter of the 3rd instant, I am now directed by the provisional committee of the new bank to state, that should his Excellency the Governor in Council, be of opinion that the proposed paid up capital of 50 lakhs of rupees does not afford sufficient security to Government for the cash balances under the present arrangement with the bank, the committee would respectfully suggest for the consideration of Government whether the conditions might not be considerably modified so as to afford Government greater security.

2. Under the present arrangement the bank is allowed to employ 40 lakhs of rupees in the current business, and the cash balance in excess of that sum is set aside as a reserve in coin on behalf of Government.

3. It is now proposed that in addition to the above reserve in coin of the cash balance in excess of 40 lakhs of rupees, the bank should set aside a special reserve of 10 lakhs of rupees to be held in Government promissory notes on behalf of Government, as security for an equal amount of the cash balance; the interest received from time to time on these Government notes, however, to be the property of the bank. 10,00,000 Rs.

4. The remaining 30 lakhs the bank to have the privilege of employing in its general business, as provided for under the provisions of the recently amended charter.

5. The security to Government would, therefore, be—

Firstly. For all the cash balance in excess of 40 lakhs, coin.

Secondly. For 10 lakhs, Government promissory notes; and

Thirdly. For the remaining 30 lakhs, the capital and general assets of the bank.

I am, &c.
(signed) *Hugh Fraser*,
For Secretary Provisional Committee.

(No 78 P. of 1867.)

To the Secretary and Treasurer Bank of Bombay.

Financial Department, Poona,
12 October 1867.

Sir,

I AM directed to acknowledge the receipt of your letter, No. 3468 of 20th July last, with which you forwarded copy of a letter from the provisional committee for the reconstruction of the bank, enclosing an amended prospectus of the new Bank of Bombay. I have also received and laid before Government your subsequent letters noted in the margin.*

2. The Right Honourable the Governor in Council, having communicated with the Secretary of State, and with the Government of India on the subject, was prepared to express his views in reply to your letter of the 20th July, and I will proceed to state what these views were. But the receipt of your subsequent letters has led him to alter them to a certain extent.

3. Before your letters of the 3rd and 5th October were laid before him, the Right Honourable the Governor in Council recognised the propriety of modifying the terms stated in my letter of the 18th May last, though not entirely to the extent urged by the committee of reconstruction.

4. The Governor in Council would have preferred to have had the terms of the prospectus that has now been prepared communicated to him before its publication, as he

* No. 4561, dated
3 October 1867.
No. 4580, dated
5 October 1867.

would then have been able to point out the objections that occurred to him, and which have, more or less, been concurred in by the Secretary of State and Government of India.

5. The chief objection felt by Government was to that portion of the prospectus which provided for half the proposed capital of 1,000,000 L., consisting in a reserved issue of (10,000) ten thousand shares to be made when the assets realised from the present Bank of Bombay should, after providing for its liabilities, amount to the sum of 10 lacs of rupees, and the full payment of which was to be dependent in a great measure on the further progress made in realising the present bank's assets. The Governor in Council objected to this, because it entailed the possibility of the second issue of shares never being taken up; and the Government did not consider that it would be prudent to consign its large deposit account to a bank whose assured capital did not exceed (500,000 L.) five hundred thousand.

6. The Governor in Council, therefore, while he was prepared to consent to a modification in the original demand that the new bank should start with a capital of 1,000,000 L., of which one half should be paid up at once and the remainder after six months, was of opinion that the capital should be created by one issue of shares to the stipulated amount of 1,000,000 L., of which one half should be paid up at the time of the construction of the bank; (100,000 L.) one hundred thousand, or 10 lacs, in six months after that date; and (100,000 L.) one hundred thousand, or ten lacs, in 12 months; seven-tenths of the capital, or (70) seventy lacs, would thus have been assured, and the remaining (30) thirty lacs might have been called up at any future time in such manner as might have been agreed on.

7. On these conditions Government would have continued its deposit account with the new bank, subject to the proviso stated in the last paragraph of my letter of the 18th May (No. 584), that it was necessary to establish an efficient control over its management.

8. Government would also have stated that although it desired to cease its connection with the bank as shareholders, yet it was willing in consideration of the circumstances in which the bank was placed to continue to hold the same amount of stock as it originally held in the present bank, viz., three lacs of rupees.

9. Having thus informed you of the views held by Government on the subject of your first letter, and which it was prepared to communicate to the directors and shareholders, I am desired to state that on the receipt of your letters of the 3rd and 5th instant the Governor in Council, having had an opportunity of consulting your chairman, Mr J. L. Lushington, is anxious to meet, if possible, the objection which was taken to any material alteration being made in the terms of the prospectus that had formed the base of the applications for shares in the new bank. His Excellency in Council believes that the following memorandum embodies the suggestions which were made as to the best means of meeting the difficulties apprehended from such alteration, a copy of which Mr. Lushington proposed to communicate to the directors and committee of reconstruction.

"The capital of the new bank to be 1,000,000 L., in (20,000) twenty thousand shares of (500) five hundred rupees each. Instead of having two issues, one issue now of (10,000) ten thousand shares to be fully paid up by the 1st March next, and (10,000) ten thousand shares to be issued when a certain proportion of the assets of the old bank shall have been realised, it is proposed that the whole (20,000) twenty thousand shares should be at once issued, (10,000) ten thousand of which should be fully paid up at the dates named in the prospectus. On the other (10,000) ten thousand (20) twenty per cent. or (100,000 L.) one hundred thousand to be paid by the same date. It would seem that this alteration would not require any references to those who have now applied for shares, as they will receive them on exactly the same terms as have been already proposed. The change is as regards the second issue only, for which of course no applications have hitherto been made.

"Before receiving the letters of the secretary to the bank, under date of 3rd October, and the copy of the letter from the reconstruction committee of 5th October, it had been decided by the Government to intimate to the committee that the terms of the prospectus should be modified, and that it would be necessary that the paid up capital of the new bank should be (700,000 L.) seven hundred thousand instead of 1,000,000 L. as proposed by the letter of 18th May.

"As by this amended proposal the Government consents to diminish still further the amount of capital to be paid up from (700,000 L.) seven hundred thousand to (600,000 L.) six hundred thousand, it is desirable that the proposal of the committee contained in their letter to Mr. Stuart of the 5th should be adopted.

"The Government, if these proposals are accepted, would continue to hold the same amount of shares in the new bank, and to continue with it their cash balances under the same conditions as before."

10. The Right Honourable the Governor in Council will now await any further expression of the opinions of the directors or of the members of the provisional committee for reconstruction on the views contained in this letter.

I have, &c.

(signed) M. J. Shaw Stewart,
Assistant Chief Secretary to Government.

TELEGRAM, dated 8th November 1867, from the Secretary of State to the Governor of Bombay.

WHAT has been done about the Bank of Bombay?

TELEGRAM, received 11th November 1867, from the Government of Bombay to Secretary of State.

IF new bank is not reconstructed so as to be able to take up business of old bank, going into liquidation, Government is liable, under guarantee authorised by the Government of India last March, to pay deposit amounting to 53rd (53½) lac pending realization of assets. This at present time, with heavy calls on Treasury, would be very inconvenient. I fear Government not taking shares may induce native capitalists to withdraw applications for shares, and so new bank . . . fail. Some have done so already. Would it be possible to take shares not to be parted with for three years, with notice that Government withdraws after that time. If you authorise this I need not do it unless absolutely necessary.

TELEGRAM, dated 14th November 1867, from Secretary of State to Government of Bombay.

BANK of Bombay. Act on your own judgment. Do not take shares unless absolutely necessary. If you take them, give shareholders in England time to reconsider their decision.

TELEGRAM, dated 22nd November 1867, from Government of Bombay to Secretary of State.

YOUR telegram about the bank arrived quite unintelligible. Please repeat.

TELEGRAM, sent 25th November 1867, from Secretary of State to Governor. Bombay.

BANK of Bombay. Act on your own judgment. Do not take shares unless absolutely necessary. If you take them give shareholders in England time to reconsider their decision.

Some English shareholders may have declined to take shares on being told Government would not take any. These should have a chance of reconsideration; but I hope you will do without taking shares. What business is the agent of the Bank of Bengal doing in Bombay? We cannot allow a branch bank.

TELEGRAM, dated Calcutta, 27th November 1867, from Financial Secretary to Secretary of State.

THE following is an extract from a letter of instructions from the Bank of Bengal to Mr. Hector, their agent at Bombay: "As it is not the intention of the directors to establish a regular branch for the transaction of every description of business, you will understand that your duties will be strictly confined to realizing the bank's assets, collecting bills sent from time, disposing of the proceeds as you may be instructed, honouring drafts drawn by the head offices and branches, and generally conducting the business heretofore transacted for this bank by the Bank of Bombay, the receipts of deposits is thus carefully excluded." A copy of the above was sent to the Government of Bombay for remarks.

(Financial Department.—No. 38, of 1867.)

To the Under Secretary of State for India, London.

Sir,

Bombay Castle, 29 October 1867.

No. 4687, of 12 October, with Enclosure.
No. 4735, of 15 idem.

I AM directed by the Right Honourable the Governor in Council to enclose copies of two letters received from the secretary and treasurer of the Bank of Bombay, the latter of which is a reply to the letter from this Government of the 12th instant (No. 78P.), copy of which was forwarded to you by the mail of the 14th instant with my letter to No. 36.

2. On the receipt of the bank's letter of the 12th instant, the following telegram was dispatched :—

“ From Poona,
From Governor,

To London.
To Secretary of State.

“ Committee for reconstructing bank represent that if terms of prospectus changed, as I proposed, subscriptions for shares will probably be withdrawn. They propose that Government notes to amount of ten lacs should be set aside as security for so much of Government deposit, thus reducing Government risk to 30 lacs instead of 40. I think this might be done, as otherwise great complication will ensue.”

3. The Right Honourable the Governor in Council was prepared to accede to the request of the committee of reconstruction, and refer the question for the decision of the Secretary of State, when a telegram was received from the Government of India, stating that the Secretary of State agreed to entrust the Government accounts to the bank, with a capital of 50 lacs of rupees, but would not consent to Government becoming a shareholder in the new bank. This telegram is now under the consideration of the Governor in Council; and in the meantime I am desired to submit these papers, and to request that they may be laid before the Secretary of State.

I have, &c.

(signed) *M. J. Shaw Stewart*,
Acting Chief Secretary to Government.

(No. 4687 of 1867.)

The Chief Secretary to Government, Financial Department, Poona.

Sir,

Bank of Bombay, Bombay, 12 October 1867.

I AM instructed to state, for the information of his Excellency, the Governor in Council, that at a special meeting of the directors of the bank, together with the provisional committee of the new bank, specially convened for the purpose of taking into consideration a confidential memorandum submitted by Mr. Lushington, as to the views of Government with respect to the new bank, it was understood that in the event of its not being in the power of those engaged in the formation of the new bank to give effect to the proposals contained in that memorandum, that any alternative suggestion would have to be submitted to the Secretary of State, and, after considerable discussion, it became evident that the most prudent course would be to request Government to refer the matter to the Secretary of State with as little delay as possible. I have, therefore, the honour to forward copy of a resolution adopted by the provisional committee at the meeting to-day, and to express the earnest desire of the directors that his Excellency may be pleased to comply with the request of the committee, and communicate with the Secretary of State by telegraph, so as to avoid the inconvenience and risk of any further delay in the establishment of the new bank.

I have, &c.

(signed) *J. Stuart*, Secretary and Treasurer.

COPY of RESOLUTION referred to in the above Letter.

“ *Resolved*,—That having regard to the memorandum furnished by Mr. Lushington, considerable doubt is entertained whether the directors of the new bank would have power to increase the first issue of shares beyond 10,000; and it being impossible for the old shareholders at once to take up the reserved issue, that his Excellency the Governor be respectfully requested to communicate with the Secretary of State, with the object of ascertaining whether the Government will continue their account and remain as shareholders in the new bank on the terms of the prospectus as it stands. The committee consider that it would be sufficient if Government would consent to take up a reduced number

number of shares in the new bank, and continue the account on the modified terms referred to in the memorandum. That as the time for allotment of shares is so nearly approaching, his Excellency be respectfully requested to communicate with the Secretary of State by telegram, with the object of eliciting an immediate reply."

(No. 4735 of 1867.)

The Chief Secretary to Government, Financial Department, Poona.

Sir,

Bank of Bombay, Bombay, 15 October 1867.

YOUR letter, No. 78 P, dated 12th instant, was duly submitted to the Board of Directors of the bank at the meeting to-day, and in reply I am instructed to state that, as the subject of the Government connection with the new bank was fully discussed at the meeting of the directors and provisional committee on the 12th instant, and the result communicated to you in my letter No. 4687, of that date, the directors do not consider it necessary to reply further until they have received an answer to my letter of the 12th instant.

I have, &c.
(signed) *J. Stuart,*
Secretary and Treasurer.

(Financial Department.—No. 39 of 1867.)

To the Under Secretary of State for India, London.

Sir,

Bombay Castle, 29 October 1867.

I AM directed by the Right Honourable the Governor in Council to forward to you, for submission to the Secretary of State for India in Council, copy of a letter* just received from the secretary and treasurer Bank of Bombay, regarding the appointment by the Bank of Bengal of an agent for the transaction of the business of that bank in Bombay.

* No. 4879, dated
29 October 1867.

I have, &c.
(signed) *M. J. Shaw Stewart,*
Acting Chief Secretary to Government.

(No. 4879.)

The Chief Secretary to Government, Financial Department, Poona.

Sir,

Bank of Bombay, Bombay, 29 October 1867.

I HAVE the honour, by desire of the directors of the bank, to forward, for the information of the Right Honourable the Governor in Council, the annexed copy of a letter, dated 22nd instant, which they have just received from the secretary and treasurer of the Bank of Bengal, intimating that the directors of that bank have appointed an agent to transact their business in Bombay.

2. My directors would most respectfully state that since the establishment of the Bank of Bombay in 1840, they have acted as the agents of the Bank of Bengal in this city, and believe that the arrangement has been virtually beneficial. The reason alleged for the change now proposed is scarcely consistent with fact, for when the shareholders of this bank, at their annual meeting in August last, resolved that the bank should be reconstructed by the formation of a new bank, the directors were authorised to call a general meeting of the shareholders, to be held on the 20th November, for the purpose of placing this bank in liquidation, and nothing has since occurred to alter this arrangement. The advertisement calling the meeting for this purpose has been published in the "Government Gazette."

3. The directors understand from other sources that the directors of the Bank of Bengal object to employ the proposed new Bank of Bombay as their agents, on the plea that the Government do not intend to take shares in it. My directors would, therefore, most earnestly urge this fact upon the Right Honourable the Governor in Council as an additional reason for the Government taking even a limited number of shares, so as to remove the only plea which the Bank of Bengal can put forward for this most extraordinary proceeding.

4. By the charter of the Bank of Bengal, the directors may, with the sanction of the Governor General of India in Council, form business agencies at such places as they may deem advantageous to the interests of the bank; but it has always been understood, and tacitly acted upon, that this privilege, enjoyed equally with the three chartered banks of Bengal, Madras, and Bombay, was limited to the Presidency in which each bank had its

honouring drafts drawn by the head office and branches, and generally conducting the business heretofore transacted for this bank by the Bank of Bombay. The receipt of deposits is thus carefully excluded."

Do you consider these instructions as satisfactory? If not, send detailed statement of your Government's objections.

26 November 1867.

(No. 5400 of 1867.)

The Chief Secretary to Government, Financial Department.

Sir,

Bank of Bombay, Bombay,
10 December 1867.

I HAD the honour to submit to the directors of the Bank your letter, No. 1490, of the 9th instant, forwarding extract from a telegram received from the financial secretary at Calcutta, regarding the business to be transacted by Mr. Hector, as agent in Bombay of the Bank of Bengal.

2. In reply, I am instructed to state that, without a copy of the instructions forwarded from Calcutta for Mr. Hector's guidance, the directors feel that it is difficult to offer any opinion as to the nature and extent of the business that may be transacted under the vague terms used in the telegram.

3. The only restriction against general banking business is the prohibition to receive deposits; but in the present position of the Bank of Bengal, with an overflowing treasury, consequent on the non-employment of their funds in Calcutta, this can be of little consequence, while the liberty of "disposing" of the proceeds of bills remitted to Mr. Hector from time to time opens such a wide door for the transacting of general banking business that it is no easy matter to define the limits within which he is authorised to "dispose" of his funds.

4. In the absence of any instructions to the contrary, he may do nearly all the business at present transacted by the Bank of Bombay; he may make investments in Government and other securities and dispose of the same; he may make advances, by way of loan or otherwise, on deposit of Government securities, railway stock, bullion, and goods; he may discount local bills; he may purchase and negotiate bills of exchange payable all over India, and it does not appear that he is even prohibited from purchasing bills of exchange payable in England, for the purpose of remittance to London. It is therefore obvious that, with the exception of receiving deposits, the above includes all the business that could be transacted by a branch of the Bank of Bengal if regularly established in this city; and the directors feel that a severe blow would be struck at the prosperity of the new Bank of Bombay if this encroachment of the Bank of Bengal be allowed to continue.

I have, &c.
(signed) *J. Stuart,*
Secretary and Treasurer.

(Financial Department.—No. 1547 of 1867.)

From *E. W. Ravenscroft*, Esq., Acting Chief Secretary to the Government of Bombay, to *E. H. Lushington*, Esq., Secretary to the Government of India, Calcutta.

Sir,

Bombay Castle, 19 December 1867.

THE Right Honourable the Governor in Council having been informed that Mr. Hector, an agent of the Bank of Bengal, had arrived in Bombay, telegraphed on the 8th of November last to his Excellency the Viceroy on the subject. The Governor General, in reply, said that he had no personal knowledge of the arrangement, but he had ascertained that the directors of the Bank of Bengal had sent "an agent to Bombay to collect their outstandings," and added that they had been informed that Government could not object to their doing so.

2. The object of the appointment being of this limited character, his Excellency in Council did not feel himself called upon to take any further action in the matter. Subsequently, on the 27th of November, a telegram was received from you. This conveyed to the Right Honourable the Governor in Council the actual instructions given to Mr. Hector, and requested that, if any objection was taken to them, intimation might be made to the Supreme Government.

3. On reading the instructions, it at once seemed to the Right Honourable the Governor in Council that the sphere of Mr. Hector's operations was much wider than had been anticipated, and that his instructions enabled him practically to establish a branch of the Bank of Bengal in Bombay, and engage in all banking business, with the sole exception of receiving deposits. The opinion of the directors of the Bank of Bombay has been accordingly asked for, and has recently been received. It will be seen that they strongly object to the latitude given to Mr. Hector. A copy of Mr. Stuart's letter* is appended for the consideration of his Excellency the Governor General in Council; and I am directed to add that the powers given to Mr. Hector appear to his Excellency the Governor in Council to be such that, although they may not be acted on to their full extent, his Excellency the Viceroy in Council may think it desirable to bring them within narrower limits.

* No. 5400, dated
10 December 1867.

I have, &c.
(signed) *E. W. Ravenscroft*,
Acting Chief Secretary to Government.

TELEGRAM, dated 14th December 1867.

From Governor of Bombay to Secretary of State.

I HAVE consented to take shares in bank, but first satisfied myself that otherwise reconstruction would fail, or too doubtful to risk it; under any circumstances there would have been difficulty, but establishment of Bengal Bank agency increased them, and [consequent rumours influenced native capitalists?] Sir William Mansfield cancelled his application for shares, on the ground that Government refused to take shares, and Secretary Bank of Madras also. A knowledge of these withdrawals would have affected applications from other Presidencies, and I was obliged to assent. Letter in full by mail as to this, and proceedings of Bank of Bengal.

(Financial Department.—No. 33 of 1867.)

To Her Majesty's Principal Secretary of State for India in Council, London.

Right Honourable Sir, Bombay Castle, 14 December 1867.

WE beg to forward copy of a letter addressed by our secretary to the secretary of the Bank of Bombay, with reference to Government taking shares in the new bank

2. Your telegram, after explaining the strong feeling entertained by you against Government taking shares, left the matter to be decided according to the best of our judgment. We had already formed a very strong opinion on the matter, and on receipt of your telegram, instituted further inquiries. These convinced us, that without Government becoming a shareholder, the reconstruction of the bank was impossible.

3. On the 7th instant those gentlemen who have taken a prominent part in the matter, attended at Government House, and the following extract from the morning papers pretty accurately records what took place :—

“ This morning, at half past 10 o'clock, a deputation of European and native gentlemen interested in the reconstruction of the Bank of Bombay, waited, by appointment, on his Excellency the Governor. Mr. Ravenscroft, Acting Chief Secretary to Government,

was

was in attendance. His Excellency pointed out to the deputation that the home authorities were still most adverse to the idea of Government taking shares in the new bank, and were disinclined to listen to any proposition to that effect. On the strength, however, of the views of those in India, they had determined to leave the matter to the judgment of the Governor of Bombay, impressing on him the reluctance they had to the idea of Government becoming a shareholder, and hoping that the bank might be established without their taking shares. In the event, however, of Sir Seymour Fitzgerald being convinced that the actual existence of the new bank depended on Government taking shares, they agreed to leave the matter entirely in his hands.

“His Excellency the Governor in pointing out these views to the deputation, explicitly informed them that, without the strongest proof that such was indispensably necessary, he regretted his inability to agree to the Government becoming a shareholder. He then asked each member of the deputation individually, and obtained from each a distinct assertion that, to the best of their judgment, it was indispensably necessary to the safe starting of the bank that Government should become a shareholder. On the strength of these assertions that it was indispensably necessary for Government to take shares, his Excellency directed Mr. Ravenscroft to carefully go through the list of applications, ascertain how many had been withdrawn on the rumour of Government not taking shares getting noised about, and submit an immediate report. His Excellency promised, that if the report verified the statements verbally submitted by the gentlemen present, Government would agree to become a shareholder, subject, however, to the right of Government hereafter, when a fitting occasion should arise, to reconsider the question of their position with regard to the Indian Presidency Banks generally. The committee then thanked his Excellency, and retired.”

4. Our acting chief secretary then proceeded to the bank, and, after obtaining all the information in his power, reported his opinion that reconstruction without Government partnership was an impossibility.

5. We enclose herewith, letters from the gentlemen who formed the deputation, as also a private letter from the Accountant General in this Presidency to his Excellency the Governor, which entirely coincide with the views verbally expressed by them.

6. With this evidence we could come to no other conclusion than that the general opinion was correct, and that Government partnership was indispensably necessary to start the new bank. We, therefore, ordered the letter mentioned in paragraph 1 to be written.

We have, &c.

(signed) *Wm. R. Seymour V. Fitzgerald.*
B. H. Ellis.
S. Mansfield.

(Financial Department.—No. 1494 of 1867.)

To the Secretary and Treasurer of the Bank of Bombay.

Sir,

Bombay Castle, 11 December 1867.

THE Right Honourable the Governor in Council has had under his consideration the question as to whether Government will take shares in the New Bank of Bombay. He has decided that Government will become a shareholder, and I am desired to request that 100 shares of the first issue may be allotted to Government. Of the second issue, so many should be allotted as will, with the 100 shares now applied for, make Government as large a holder in the new, as they are in the Old Bank of Bombay.

2. I am directed to add that this decision has been taken in view to the present reconstruction of the bank and its establishment on a satisfactory basis; but that the Government will feel themselves at liberty hereafter to withdraw from its connection as a shareholder with the bank in the event of its being found desirable to re-consider the position of the State with respect to the Presidency Banks in India.

3. I am further to add that the other stipulation contained in the telegram† of the Secretary of State, substance of which was communicated to you by the Accountant General on the 29th October last, remains unaltered.

4. I am requested to point out that in allotting the shares especial care should be taken that the interests of shareholders of the old bank in England who applied for shares, and then

† This telegram is the one referred to in paragraph 3 of the financial letter from the acting chief secretary to this government to the Under Secretary of State, No. 38, dated 29 October 1867.

then withdrew their applications when Government announced their intention of not being a shareholder, may be carefully respected.

I have, &c.
(signed) *E. W. Ravenscroft*,
Acting Chief Secretary to Government.

To the Right Honourable Sir *Seymour Fitzgerald*, K. S. I.

Sir,

I HAVE much pleasure in complying with your Excellency's request that I should place on record the statements made this morning when I had the honour of forming one of the deputation appointed for the purpose of obtaining your views on the subject of the Government taking shares in the New Bank of Bombay.

I am clearly of opinion, from my knowledge of the applicants, that many would withdraw from taking shares so soon as it became known that Government had decided upon not taking shares, yet I was scarcely prepared to find that so much importance was attached by all classes of applicants to the necessity of this Government connection till I had received from several influential persons letters stating that they would take shares only on condition of Government continuing shareholders. I may mention one or two instances. Sir William Mansfield, in reply to the proposals made for the reconstruction of the bank in May last, stated that he would be prepared to take his allotment on the understanding that full security was given that the Government account was transferred to the new bank for a fixed period, and also that Government should continue their interest therein as shareholders.

It is generally understood that, amongst other reasons for the establishing an agent of the Bank of Bengal in this city, the unlikelihood of Government taking shares in the new bank had some influence, and if this could have been considered a reason by so great an institution so closely connected with the Government of India, it can easily be seen what the effect would be upon the minds of the native shroffs and dealers in the bazaar; in fact, so significant was this feeling of distrust that as soon as it became known, Mr. McIvor, the secretary to the Bank of Madras, telegraphed to me as follows:—

“Consequent on refusal of Government to take shares, and establishment of branch by Bank Bengal, please cancel my application for shares in new Bank of Bombay, provided deposit is not forfeited.”

Mr. Cowasjee Jehanghier, who applied for 1,000 shares, withdrew his application so soon as doubts were entertained of the Government connection. He is a person of very considerable influence with his countrymen, and I have no doubt but that his example will be followed by many withdrawals on the same plea.

I am, therefore, convinced that it would be impossible, in the face of such adverse circumstances, to establish the new bank on a satisfactory footing unless the Government is prepared to take shares; and without this assurance of support I fear that any attempt to allot the shares and call up the capital would only end in a miserable failure.

In the view of the Government connection with the presidency banks being taken into consideration at no very distant date, I hope it may not be considered presumptuous to suggest that Government should only take a limited number of shares, say 100, of the first issue, so as to avoid the inconvenience and loss which would naturally result from throwing a large number of shares on the market for sale at one time, should it ultimately be decided that the Government should no longer continue their interest in any of the banks as shareholders.

I have, &c.
(signed) *J. Stuart*,
Secretary and Treasurer, Bank of Bombay.

Bank of Bombay,
Bombay, 7 December 1867.

To His Excellency the Right Honourable Sir *Seymour Fitzgerald*, K. S. I., Governor of Bombay.

Sir,

As desired by your Excellency, I have now the honour to record my opinion as to how far the establishment of a new Bank of Bombay is dependent upon Government taking a proprietary interest in the undertaking.

In the first place I have no hesitation in expressing my belief that if Government will take shares there will be no difficulty in forming a bank of such strength as to justify the position it is intended to occupy as regards the business of Government, and at the same time prove of important service as regards the trade of this presidency. If, on the other hand, Government will not accept shares, I believe it will be found impossible to start the new bank with that standing and credit which are essential to its success.

Not being a member of the reconstruction committee, I have not the means of knowing what communications they have received from applicants for shares in the new bank, or what number of applications have been withdrawn. But I know that there is a very strong feeling on the subject, and that a large proportion of the shares applied for would not be taken up on allotment unless Government also take shares. I may here mention that
when

when it was announced in England that shares in the new bank were not to be held by Government, the firm to which I belong were instructed by telegraph to decline a large number of shares which had previously been applied for.

It is known that many influential individuals have withdrawn their applications on the same pretext, and that others made their applications conditional on State proprietorship. The idea that such people distrust the bank without Government co-partnership, or that Government may be deterred from accepting shares by distrust of the investment, gives rise to misgivings on the part of many who are incapable of forming an opinion for themselves. Any such impression naturally gains ground more rapidly at a time when so many have suffered losses by the old bank. Many applied for shares in the new bank in the hope of recouping such losses, but seeing indications of distrust they would prefer withdrawing, or even forfeiting, the deposits they have already made, rather than incur any possible risk, which, perhaps, they cannot afford to meet. Others equally timid and less able to judge for themselves are thus led to take alarm, while others seeing all this, withdraw on the chance of purchasing shares on equally good terms when the bank is started. But to start the bank successfully it is essential that there should be a demand for shares, and not a desire to withdraw or evade applications.

Supposing the required amount of capital could be raised, there is little doubt that many would desire to get rid of their shares, and it would be objectionable for shares in the bank entrusted with the Government business to be at a discount.

The importance of Government co-partnership in the bank, as far as other shareholders are concerned, is no doubt exaggerated, and to some extent imaginary, but the prevailing idea is that additional supervision and control in the conduct of the business would thus be ensured, and this would give greater confidence.

If it were officially announced that Government are prepared to accept shares, I believe there would no longer be any difficulty in raising all the capital required. This is proved by the fact that on the publication of Messrs. Forbes, Forbes & Co.'s telegram stating that the matter had been satisfactorily decided by the Secretary of State, the unallotted shares previously unsaleable were at once quoted at 10 per cent. premium.

I do not think it is necessary that Government should hold proportionately as large an interest in the new bank as in the old, but I do think that unless some shares of the first issue are retained by Government, the new bank cannot be successfully launched.

It is impossible to say what the actual result would be if the shares were allotted without Government co-partnership, but the risk of failure would, I think, be too great to justify the experiment.

I sincerely trust, therefore, that your Excellency may be pleased to accept shares in the new bank on behalf of Government.

I have, &c.

(signed) G. M. Stewart,

(Partner in the Firm of Messrs. Remington & Co.)

Elphinstone Circle, 7 December 1867.

To the Right Honourable Sir *Seymour Fitzgerald*, K.S.I., Governor of Bombay.

Right Honourable Sir,

You have done me the honor to request me to put on paper for your perusal my views as to the possibility of reconstructing the Bank of Bombay, if Government fails to interest itself as a shareholder in the new bank.

I am not prepared to say that I think it would be absolutely impossible to find persons willing to accept allotments to the extent of 10,000 shares, but I am certain that so many applications would be withdrawn, and so many allotments would be rejected by men of influence, shareholders in the Old Bank of Bombay, if it was known definitely that Government had determined not to take shares in the new bank, that the result would be at least doubtful. For Government to run the risk of an institution breaking down at the outset of its career, with which Government had declared its intention to keep its banking account, would in this country be impolitic. And the risk of such a failure is very great.

Already a large number of applications has been withdrawn, because it was merely rumoured that Government would not take shares; and every one who is well acquainted with the native feeling on this subject is aware that the vast majority of native applicants would refuse to accept allotments, although they allow their applications to stand in case some unforeseen circumstance should arise to send the shares to a premium, in which case they would at once realise their profit and be clear of the concern.

To any one who has watched the natives through the share mania the above course of action is familiar, and consequently the actual number of withdrawals cannot be taken as a true criterion of the feeling regarding the necessity of Government being interested as a shareholder in the new bank.

But supposing that the first issue of 10,000 shares was, by means of re-allotment, entirely taken up, the proprietary would be of so uninfluential a character, the prestige and credit of the new bank would be so impaired by the moral effect of the numerous

withdrawals of applications and refusals to accept allotments on the part of influential men, that it would fail to command the support of the public, and its business would be almost confined to the management of the Government account. Natives regard the fact of Government being a shareholder as a guarantee that deposits will be paid in full. And if Government does take shares I expect that large deposits will at once flow into the coffers of the new bank and ensure its prosperity, whereas if Government refrain from taking shares natives will have recourse to the pernicious habit of hoarding, from which they are just beginning to be weaned, and European houses will prefer to keep their accounts with old-established institutions rather than with a new bank whose business will be so limited. Thus, even if the first issue could be allotted, the result would be a bank which, notwithstanding the advantage of having the Government account, would fail to command the confidence of the community, and would fail to draw forth the hoarded wealth of the natives, and turn it in fertilising streams into the channels of commerce. From the want of a strong and influential bank, possessing the people's confidence, the trade of the Presidency would be seriously injured, and its material prosperity checked.

There is another aspect of the question, which it is very important to bear in mind. Suppose the directors of the new bank succeed at last in getting the 10,000 shares taken up, we are assured by those who are conversant with the share market that if Government does not become a shareholder the shares will at once go to a discount. In that case the second or reserved issue becomes an impossibility, and Government will then have the security of only 50 lakhs for its account; whereas if the Government takes shares the present rate proves that the shares will command a premium, the second or reserved issue will be eagerly taken up, and Government will thus have its deposit account secured by a paid-up capital of 100 lakhs.

It is thus the direct interest of Government to become a shareholder.

The question whether it is right in principle for a Government to take shares in a joint stock company is a very important one, and one which, argued on purely theoretical grounds, would probably be answered in the negative. But the fact of such a connection being anomalous does not prove it wrong in a country the government of which appears full of anomalies to a mind trained to English ideas. But it is needless for me to argue this question. I would only say, with all deference, that it seems to me hardly fair for Government to sever its connection with the Presidency Bank of Bombay while it retains shares in the banks of Bengal and Madras. In the present peculiar circumstances especially it seems to me neither fair nor generous for Government, to whose directors some portion of blame must attach for the enormous losses sustained by the shareholders of the old bank to refuse to continue its connection as a shareholder in the new bank, by whose construction, it is hoped, the old shareholders will recover a portion of their losses. The shareholders of the old bank would have just cause to complain that they were deserted in their utmost need by the Government, an implicit confidence in whose influence at the Board led them to invest their savings in the Bank of Bombay.

I trust your Excellency will not consider that I have expressed my views too freely. I felt that a candid opinion would best meet your Excellency's wishes.

I have, &c.

Bombay, 8 December 1867.

(signed) *A. D. Grant,*

Partner in the firm of Messrs. Campbell, Mitchell & Co.

To the Right Honourable Sir *Robert Seymour Fitzgerald*, K.S.I., Governor of
Bombay.

Sir,

Bombay, 9 December 1867.

I now have the honour, at your Excellency's request, to state my opinion regarding the reconstruction of the Bank of Bombay.

First. I do not think it would be safe to attempt to allot the shares in the new bank unless Government consent to take the same position in it which they occupied in the old bank.

Second. I have had many conversations lately with native merchants of good position in Bombay, some of whom had applied for shares; and there is really only one opinion in the bazaar, that it would neither be safe to take shares or deposit money in the new bank unless Government were shareholders.

Third. It appears, therefore, to me that even if we could induce a sufficient number of persons to take up the shares for the honour of Bombay, the new bank would never without the support of Government be successful, or hold any position.

Fourth. With your Excellency's permission, I will mention the strong feeling which exists among the native community of the loss of *abru* which the Bombay Government would sustain, should there be no Government Bank in this Presidency, whilst in the less important cities of Calcutta and Madras the Government connection is continued with the presidency banks there.

I have, &c.

(signed) *Ahmedbhoy Habibbhoy*, Merchant.

To the Right Honourable Sir *Seymour Eitzgerald*, K.S.I., Governor of Bombay.

Sir,

Bombay, 9 December 1867.

As your Excellency has been pleased to request me to put down in writing the views I have already expressed to you, I would respectfully state my conviction that if Government do not take an interest as shareholders in the new Bank of Bombay, numerous applications for shares, possibly the major part, will be withdrawn, because my own friends, who say they applied under the supposition that Government would continue the same position they had in the old bank, have expressed to me their determination to go no further in the matter; and if it could be formed, it would start weakly, and without much probability of its attaining that hold upon the confidence of the public which is so pre-eminently desirable. I am certain that the fact of Government taking shares is a vital point in the reconstruction of the Bank of Bombay, and I would recommend that no delay should take place in announcing to the public the determination of Government to take shares. A strong reconstructed Bank of Bombay, aided by Government prestige is, in my opinion, necessary for the commerce of this Presidency, and this view is, I feel assured, shared in by a majority of the experienced business men of the Western India.

I have, &c.

(signed) *Kessowjee Naik*, Merchant.

To *E. W. Ravenscroft*, Esq., c.s., Acting Chief Secretary to the Government of Bombay.

Dear Sir,

Bombay, 9 December 1867.

WITH reference to what passed at the interview with his Excellency the Right Honourable the Governor on Saturday I have the honour to state that, after the most careful consideration, I am of opinion that in order to the establishment of the new Bank of Bombay, it is imperative that Government should consent to become shareholders in it.

It will be in the recollection of his Excellency that, at an interview I had with him at Poona in September, I expressed a feeling that we might be able to launch the bank without this concession on the part of Government. His Excellency at the time seemed inclined to dissent from this view, and I have since seen ample reason entirely to change it, all observation and enquiry I have been able to make having revealed the existence in all quarters (both among Natives and Europeans in India and at Home) of a much stronger feeling of the necessity of the Government connection as shareholders than I had any conception of.

The earlier applications for shares were made under a prospectus (subsequently withdrawn) in which the continuance of this arrangement was a distinct condition; and it now appears that there is a general, amounting indeed to almost an universal, feeling that the amended prospectus under which the majority of the applications have been registered, implied, if it did not expressly stipulate, this as one of the conditions under which applications should be binding.

I believe that this has been the only reason why many more applications have not been actually withdrawn, the applicants being content in the mean time merely to lie by and let matters take their course. Believing that they are not bound unless Government take shares, they will, immediately an adverse decision is announced by Government, withdraw at once; and even if it were held that they are legally bound by their applications (a point about which I conceive there would be great difficulty), they will forfeit the deposit rather than take up their allotment.

I know of my own personal knowledge of many who have thus made up their minds, and it is, in short, notorious in financial circles—and none who know anything of the state of public feeling can fail to be aware of it—that the community generally have made up their minds that on the action of Government in this matter hinges the whole fate of the project. If Government take shares it will go on; if not, then we may just as well send for Mr. Dickson again, at once.

I would therefore earnestly press on his Excellency the necessity of considering the subject apart altogether from the mere figures shown by the provisional committee's list of applications and withdrawals; for I consider that if Government do not take shares we cannot count on any of the applications holding good; and in the present adverse state of mercantile matters, I consider it certain that advantage would be almost universally taken of this alleged departure from the scope of the prospectus to withdraw from an undertaking which, even were it possible to force it into existence, could not, I believe, under such conditions command the confidence of Government and the public.

As strongly corroborative of this opinion, I may mention that I am informed by the officers of the bank that, in consequence of the publication of the official account of the interview of Saturday, many applicants have to-day called to state their intention of having nothing to do with the new bank if Government do not take shares. Government have shown a sincere desire to see the new bank firmly established; and I would respectfully record my conviction that thus, and thus alone, will it be possible to accomplish this. I would also venture to submit with all deference that, looking to all the circumstances of

the case, the concession is one which both the shareholders of the old bank and the community of Bombay have a right to expect from Government.

If his Excellency, as I earnestly trust he will, decides in favour of taking shares, I anticipate no difficulty in carrying forward the undertaking to complete success; and besides being the means of diminishing, to some extent the losses of the old shareholders, I anticipate the best results, both to Government and the community at large, from the re-establishment, on a firm and independent basis, of the leading financial institution of Bombay.

Apologising for having written at such length,

I have, &c.
(signed) *Alex. Brown*,
(Partner in the firm of Messrs. Nicoll & Co.).

To the Right Honourable Sir *Robert Seymour Fitzgerald*, K. S. I., Governor of
Bombay.

Sir,

Bombay, 9 December 1867.

IN compliance with your Excellency's request, I have the honour to state shortly my views with reference to the re-construction of the Bank of Bombay.

First—In the present state of public feeling on the subject I do not think the committee would be justified in proceeding to register and allot the shares in the new Bank of Bombay, unless Government consent themselves to take an interest therein as shareholders. That step would involve the liquidation of the old bank, and if, unhappily, the shares should not be taken up, the consequences would be most disastrous to every one concerned in the matter, and especially to the directors of the new bank.

Second—So strongly has this been impressed upon me during the last 10 days, and from communications with some of the leading natives, who expressed to me their inability to reassure those who had applied for shares, so grave has appeared the difficulty and risk, that I had felt I should not be justified in advising the committee to proceed with the scheme if the reply of Government were adverse to the public wish.

Third—The committee, in issuing the prospectus of the 19th July last, did not intend that the formation of the new bank should be entirely dependent upon the support of Government as shareholders; but as to the public feeling on the subject now, it may, I think, be assumed that some applicants for shares did not reason closely on the subject. Some have been advised by persons who are lukewarm, if not actual supporters of amalgamation (and such, I regret to say, there are even in Bombay), that they are entitled even under the prospectus to stipulate that Government should be shareholders; and others are too timid to associate themselves in the new project without the support of Government in that character to which they have been accustomed.

Fourth—It is, perhaps, hardly necessary for me to mention, that under any circumstances an applicant for shares in a new company may at any time withdraw his application, and that in this case the persons forming the three classes to which I have referred are holding on until the last moment, lest the Government decision being in the end favourable, they should, by withdrawing too soon, lose the benefit of their names standing at a date within the prescribed period on the list of applications for shares.

I have, &c.
(signed) *G. F. Rimington*,
(Solicitor, High Court).

To the Right honourable Sir *Seymour V. Fitzgerald*, K. S. I.

Sir,

Bombay, December 1867.

As requested by your Excellency at the interview of the reconstruction committee of the New Bank of Bombay with your Excellency on the 7th instant at Malabar Hill, I do myself the honour to submit, for your Excellency's information, the following opinions which I entertain on the necessity of Government continuing a shareholder in the New Bank of Bombay.

2. I am firmly convinced, from my experience of the past and present temper of Bombay, that unless the Government continues, as of old, a shareholder in the new bank, a serious injury will be inflicted on the present endeavours now being made to reconstruct the new bank, and it will materially affect the establishment of the undertaking on a permanent footing; and, I believe, many persons are waiting up to the last moment to see the result, and then, if the answer from Government be unfavourable, they will demand back their deposits.

3. The natives attach the greatest importance to Government being a shareholder in the new bank. When the notice first appeared inviting applications for shares in the new bank which was about to be reconstructed, the public was under the impression that Government would take shares, and, therefore, numerous applications for shares were made: but

but the moment it became known that Government was disinclined to be a shareholder, many of the applicants withdrew their names from the share list, and requested the provisional committee to return their deposits.

4. If the Government would connect itself with the new bank it would be the means of re-establishing confidence; for before the announcement appeared that a telegram had been received by Sir Charles Forbes & Co., with the news that Government had resolved on taking shares in the bank, there was no inquiry for the new bank shares, but the moment the purport of the telegram alluded to became generally known an inquiry for those shares arose, and sales were effected from 6 to 11 per cent. premium. The present price is now 10 per cent.

5. If it would be possible to reconstruct the bank without the aid of Government, it would not possess, in the eyes of the natives, that prestige it would otherwise have. The natives, seeing Government disinclined to connect itself with the undertaking, will, it is now apparent, lose all confidence, and the consequence will be, that but a few of the applicants, who applied for shares on the understanding that Government would still continue a shareholder, will take up shares in the new bank.

6. And for this want of confidence there will appear some grounds, when it is seen that Government refuses to connect itself with the new bank, and still remains, unaccountably to them, a shareholder in the banks of Bengal and Madras.

7. In conclusion, I beg to express it as my firm conviction, that were Government to become shareholders in the new bank, confidence would be restored, all the shares in the new bank would be taken up with avidity, money now lying idle and out of circulation would flow into the coffers of the bank, and the shares would rise to a legitimate premium, which latter would tend very materially to improve the value of the old shares, and improve thereby the position of the old shareholders who have suffered so much.

I have, &c.
(signed) *Dinshaw Manockjee Petit*, Merchant.

PRIVATE LETTER from the Accountant General *Bombay* to the Private Secretary to His Excellency the Governor of Bombay.

Dear Sir,

Bombay, 5 December 1867.

HIS Excellency the Governor yesterday expressed a wish that I should send him in writing the opinion which I hold as to the formation of the new bank of Bombay if Government do not become shareholders. The subject is one to which I have given much consideration, and from all that I have gathered from persons directly and indirectly interested in the new bank, I have no hesitation in saying that I am fully persuaded the new bank has no chance of being established unless Government become shareholders. I may add that I know many, and some of them applicants for a large number of shares, who will withdraw their names unless Government become shareholders.

I remain, &c.
(signed) *J. L. Lushington*.

(Financial, No. 68.)

To His Excellency the Right Honourable the Governor General of India
in Council.

India Office, London,
15 February 1868.

Sir,

PARA. 1. In my financial despatch to you, dated the 24th October last, No. 368, on the subject of the affairs of the Bank of Bombay I informed you that, while I considered the connection of the Government with the presidency banks to be calculated to strengthen the confidence of the public in their stability, I did not consider that, in order to secure that confidence, it was necessary that the Government should take shares, and that as such a connection was objectionable in principle, I could not consent to the Government becoming a shareholder in a new bank to be established at Bombay or elsewhere.

2. The Government of Bombay subsequently apprised me, by telegram, that no probability existed of the re-establishment of the bank unless shares were taken by the Government, and, having regard to the position in which the shareholders of the bank and the mercantile community of Bombay, as well as the

the Government, were then placed, I authorised the Government of Bombay to take shares if it should still appear to be absolutely necessary.

3. The financial letter from the Government of Bombay, dated the 14th December, showed that the Government partnership was indispensably necessary to start the new bank, and your Excellency's telegram of the 9th January apprised me that you had acceded to the appointment of an inspector to the new bank as a temporary measure, although you preferred the system of having directors to that of an Inspector, as the bank was to be constituted on the same footing as the other presidency banks.

4. While I approve of the course which has been pursued under the special circumstances of the case, I retain the general views which I expressed in my despatch above referred to.

5. As a general rule, I am of opinion that the Government ought not to enter into commercial business, except for the purpose of managing it entirely, as it does in such cases as that of the distribution of letters, or at all events for that of managing it virtually, as it does in such cases as those of the guaranteed railways; and I consider further, that it ought not to enter into such business at all, unless it be shown that the object to be attained is of national importance, and that it cannot be attained, or at all events cannot be conveniently attained, without Government action.

6. Applying these principles to the case of banks, I think it impossible to contend that banks, for ordinary commercial purposes, cannot be supported in India without the intervention of the State. As a matter of fact, there are plenty of such banks, and if there were no State Banks there would probably be plenty more. It may, however, be said that what we want are not banks for ordinary commercial purposes, but banks in which we may safely deposit the public money, that in order to secure such banks, it is necessary to insist upon the adoption of certain rules, and to prohibit certain kinds of business, that private banks will not submit to these restrictions, and that a case, therefore, arises in which the intervention of the State is rendered necessary. These considerations (the truth of which to a great extent I admit) have influenced me materially in the view I have been led to form in the present case. I am satisfied that it is desirable that the Government should be able to find banks for the reception of the public balances. I am also satisfied that it is necessary to restrict such banks from dealing in exchanges, and to place them under certain regulations. The only question upon which I have been disposed to entertain a doubt has been that of the possibility, or otherwise, of finding private banks, with sufficient capital, willing to submit to the necessary restrictions for the sake of obtaining the custom of the Government.

7. At the time when I wrote my Despatch of the 24th October, I had strong hopes, founded in part upon information from trustworthy sources, and in part upon my view of the reason of the case, that it would be possible for the promoters of the new Bank of Bombay to construct it upon a satisfactory basis, without its being necessary for the Government to take the step of again becoming a shareholder. The result has shown that I was mistaken, and that if the Government persevered in refusing to take shares, the project of re-construction must have failed.

8. Of all the courses that then remained open to me, the least objectionable appeared to be a return, for the present at all events, to the system of partnership, subject to any modifications which the experience of the past may have shown to be desirable. Any proposition for changes of a fundamental character, such as the establishment of a central State Bank, or a return to the system of Government Treasuries, which may hereafter be taken into consideration, must be viewed in its general bearings, and not with special reference to the circumstances of a particular Presidency, or of a particular crisis.

9. It now remains to inquire whether any, and if any, what modifications are desirable in the relations between the Government and the Presidency Banks,
and

and whether this opportunity should be taken to introduce them into the charter of the New Bank of Bombay. I think it important that a full and searching inquiry should be instituted into the circumstances which led to, and which attended the recent catastrophe in the Old Bank. In no other way, I think, can we fully learn the lessons which the experience of that catastrophe ought to teach us. It is important to ascertain whether the calamity which has befallen the bank is due to the faults either of a system or of individuals, and whether measures can be devised for the prevention of similar misfortunes. It is unnecessary for me to enter at length upon all the questions which should be investigated, but among those which are the most obvious I mention the following—Whether the presence of Government Directors at a Board upon which they are in a minority is a sufficient precaution against mismanagement, supposing them to do their duty; or whether further powers should be given to them; whether a system of Government audit or inspection is desirable; how Government Directors should be selected, and how they should be paid; whether it is desirable to disqualify for the office persons who are shareholders; whether any control should be exercised by the Government over the alteration of byelaws; how far the relations between the financial department of the Government and the banks are satisfactory, and whether the responsibility of the Supreme and of the Presidency Governments respectively is rightly defined?

10. I request, therefore, that you will, in communication with the Government of Bombay, direct the issue of a Commission to inquire, without delay, into the circumstances attending the failure of the Bank of Bombay, with full powers to conduct the inquiry.

11. Great care must be taken that, in any Act which may be passed for the constitution of the New Bank of Bombay, ample powers are reserved to the Government to make such stipulations with regard to its right of control, and generally with regard to its relations with the Bank, as may, on inquiry, be found necessary.

I have, &c.
(signed) *Stafford H. Northcote.*

(Financial, No. 41.)

To His Excellency the Right Honourable the Governor in Council, Bombay.

Sir,

India Office, London, 15 February 1868.

I FORWARD herewith for your information and guidance, copy of a Despatch which I have addressed to the Government of India, on the subject of the reconstruction of the Bank of Bombay.

I have, &c.
(signed) *Stafford H. Northcote.*

No. 68, dated 15th
February 1868.

(Financial Department.—No. 4 of 1868.)

To the Under Secretary of State for India, London.

Sir,

Bombay Castle, 14 January 1868.

I AM directed by the Right Honourable the Governor in Council to forward to you, for submission to Her Majesty's Principal Secretary of State for India, the accompanying copies of papers noted in the margin, with reference to the Bank of Bombay and the New Bank of Bombay (Limited).

I have, &c.
(signed) *E. W. Ravenscroft,*
Acting Chief Secretary to Government.

Letter from the Secretary and Treasurer, Bank of Bombay, No. 5555, dated 21 December 1867, with accompaniments.
Letter from the Deputy Secretary of the New Bank of Bombay (Limited) No. 23, dated 21 December 1867.
Letter to the Secretary and Treasurer, Bank of Bombay, No. 1577, dated 27 December 1867.
Letter to the Deputy Secretary of the New Bank of Bombay (Limited), No. 1578, dated 27 December 1867.
Letter to the Government of India, No. 1579, dated 27 December 1867.
Telegram from the Government of India, dated 3 January 1868.
Letter to the Secretary and Treasurer, Bank of Bombay, No. 24, dated 8 January 1868.
Letter to the Deputy Secretary, New Bank of Bombay (Limited), No. 25, dated 8 January 1868.

(No. 5555 of 1867.)

The Chief Secretary to Government, Financial Department, Bombay.

Sir,

I HAVE the honour, by desire of the directors of the Bank to state, for the information of the Right Honourable the Governor in Council, that by certain resolutions passed at a meeting of the shareholders held on the 11th instant, copy of which is enclosed, marked (A.), it has been resolved that the bank should be wound up voluntarily. Another meeting will be held on the 13th January, to confirm the resolutions passed at last meeting, when the present bank will be immediately placed in liquidation.

2. I am, therefore, respectfully desired to request that Government may be pleased to authorise the bank to hand over to the "New Bank of Bombay, Limited," the whole of the Government business at present transacted by this bank, under the terms of the agreement made on the 10th day of April 1867, between the Secretary of State for India, in Council, and the Bank of Bombay.

3. By the enclosed statement, marked (B.), of the position of the bank, it will be observed that the total liabilities due to the public, exclusive of the Government Treasury balance, are 157 lacs of rupees, and to meet this, there is immediately available a cash balance of 125 lacs, besides a sum of 36 lacs employed in the current business, and all considered good, as per Statement marked (C.); so that, with the exception of the Government account, the bank was, on the 14th instant, the date upon which the statements are made up, in a position to pay off all its liabilities at once; but the heavy withdrawals since on the Government account have materially affected the position, and the Treasury balance is now reduced to six and one-half lacs.

4. As it is essentially necessary for the perfect carrying out of the plan for the transfer of the whole of the business to the New Bank of Bombay (Limited) on the 14th January, the date on which the liquidation of the Old Bank will commence, that arrangements should be made to meet the deficiency arising from the fact of a portion of the assets being locked up in securities not immediately convertible, I am directed respectfully to request, that Government will be pleased to allow a sum equivalent to the minimum balance, viz., 25,00,000 rupees, to remain with the Old Bank, or, in the event of the Government balance being below that amount, to advance a sum sufficient to make it up to 25 lacs, until a sufficient sum is realised out of the assets to repay this sum; and in the meantime the Government, being the only creditor, would have a preferential right over the whole assets of the bank, the principal of which are specified in the enclosed Statement marked (D.), and the whole of this debt, with interest, must be repaid before any portion of the capital can be returned to the shareholders.

6. In order to avoid any loss or inconvenience to the Government by this arrangement, the New Bank would grant to Government a credit of 25 lacs, as per enclosed copy of letter from the Deputy Secretary, No. 20-1867, dated 20th instant, marked (E.), until the Old Bank is in a position to repay the same by the realisation of assets, and the Old Bank would agree to repay to Government the principal and interest; so that, while the Government had ample security for the balance remaining in the Old Bank, they were also protected from any loss of interest.

7. In the statement of the bank's liabilities, I have not included a contingent liability for calls on certain shares in the Commercial Bank of India and Asiatic Banking Corporation, but it is believed that these may be compromised.

8. I may state that, in the event of the bank being obliged to hand over its business without this assistance from Government, there would be no alternative but to suspend payment.

9. I enclose copy of letter marked (F.), No. 23-1867, of this date, from the Deputy Secretary of the New Bank,* explaining the mode upon which they are prepared to undertake the management of the Government business until the full amount of their capital is paid up.

Bank of Bombay, Bombay,
21 December 1867.

I have, &c.
(signed) J. Stuart,
Secretary and Treasurer.

..

* To the address of the Chief Secretary to the Government of Bombay in the Financial Department.)

BANK OF BOMBAY.

To _____

Dear Sir,

Bombay, 11 December 1867.

I AM directed to inform you, that by certain resolutions passed at a meeting of the proprietors of the bank held this day (copy of which is annexed), it has been resolved that the bank should be wound up voluntarily. Another meeting will be held on the 13th January next, to confirm the resolutions passed to-day, when the present bank will be immediately placed in liquidation; and, in that event, I shall be obliged if you will authorise me to hand over to "The New Bank of Bombay (Limited)," all cash, Government, and other securities which this bank may then hold for you, to be credited to an account to be opened in your name, in the books of the said "New Bank of Bombay (Limited)."

Please sign and return to me the annexed letter, and also all receipts granted to you on deposit of the securities, and new ones will be issued in your favour by "The New Bank of Bombay (Limited)," which, if you so desire, I will obtain and send to you.

It gives me great pleasure to inform you, that "The New Bank of Bombay (Limited)," (of which I enclose a prospectus) has been introduced and incorporated under the most favourable auspices (the Government of Bombay being shareholders), and will take over all the business of the old bank, including the Treasury and other Government accounts.

I am, &c. _____

Secretary and Treasurer.

(A.)

RESOLUTIONS.

I.—THAT the Bank of Bombay be wound up voluntarily, in accordance with the provisions of Part III. of Act XIX. of 1857, of the Legislative Council of India, so far as the same are made applicable to the said bank by section 44 of Act X. of 1863, of the Legislative Council of Bombay.

II.—That John Stuart, Esq. be appointed liquidator, for the purpose of winding-up the affairs of the bank, and that his remuneration be 3,250 rupees per mensem, during one year, from the 1st day of January 1868.

III.—That the said liquidator be authorised to hand over to "The New Bank of Bombay (Limited)," the business premises at Bombay and Kurrachee of the said Bank of Bombay (to be so taken over at a valuation), and also such of the monies and securities of the said Bank of Bombay as may be approved of by the directors of the said New Bank, and as may be necessary to cover any and all accounts taken over by the said New Bank of Bombay (Limited), with the consent of all persons interested therein.

To *John Stuart, Esq.*, Liquidator of the Bank of Bombay, Bombay.

Sir,

I BEG to acknowledge receipt of your letter of the 11th December 1867, and in reply, I have now the pleasure to authorise you, on the present Bank of Bombay being placed in liquidation, to hand over to "The New Bank of Bombay (Limited)," all cash, Government, and other securities belonging to me, which may then be standing at my credit.

I beg to return you the receipts for securities granted to me by the Bank of Bombay, and request you will obtain and forward to me fresh receipts to be issued by "The New Bank of Bombay (Limited)."

I am, &c. _____

(B.)

MEMORANDUM of ASSETS and LIABILITIES of the BANK of BOMBAY on
14th December 1867.

LIABILITIES:	Rs.	a.	p.	ASSETS:	Rs.	a.	p.
Government Deposits - - -	23,37,984	5	3	Cash Balance at Head Office and Branches, viz.:			
Other Deposits, including Notes in circulation and Post Bills issued -	1,41,81,304	-	11	Head Office, Rs. 1,01,20,921. 8. 10, and Branches, Rs. 24,20,285. 7. 11	1,25,41,207	-	9
Deposits and other Liabilities at the Branches - - - -	15,28,861	13	11	Current Advances considered good, as per Statement (A 2.) - - -	36,54,604	10	8
				Advance required to pay off all Liabilities at once - - - -	18,52,338	9	-
Rs.	1,80,48,150	4	1	Rs.	1,80,48,150	4	1

MISCELLANEOUS ASSETS held by the BANK.

	Rs.	a.	p.
Fixed Loans:			
Head Office - - - - -	17,29,846	9	-
Cash Credit:			
Head Office - - - - -	48,03,434	-	-
Branches - - - - -	1,44,585	4	10
Past Due Bills:			
Head Office - - - - -	31,87,446	5	1
Branches - - - - -	6,52,203	14	7
Stamps:			
Head Office - - - - -	3,829	11	-
Branches - - - - -	6,432	-	-
Rs.	1,05,27,777	12	6

Bank of Bombay, Bombay,
19 December 1867(signed) Robert Clark,
Officiating Accountant.

(C.)

(A 2.)—CURRENT BUSINESS of the BANK of BOMBAY on 14th December 1867.

	Due in December.			Due in January.			Due in February.			TOTAL.		
	Rs.	a.	p.	Rs.	a.	p.	Rs.	a.	p.	Rs.	a.	p.
Advances on Government Security and Guaranteed Railway Shares :												
Cash Credits - - - - -	1,74,343	7	-	38,057	7	9	68,099	11	3	2,80,500	10	-
Overdrafts - - - - -	847	7	7	-	-	-	-	-	-	847	7	7
Fixed Loans - - - - -	11,296	4	-	85,300	-	-	58,425	-	-	1,55,021	4	-
Branch Cash Credit - - - - -	3,157	4	6	-	-	-	-	-	-	3,157	4	6
Bills discounted :												
Head Office - - - - -	6,472	8	-	2,14,700	-	-	1,05,078	4	6	3,26,250	12	6
Branches - - - - -	3,40,868	13	9	1,02,114	3	4	27,993	13	8	4,70,976	14	9
Bills for Collection :												
Head Office - - - - -	4,18,054	1	9	5,58,150	-	-	1,70,000	-	-	11,46,204	1	9
Branches - - - - -	-	-	-	10,000	-	-	-	-	-	10,000	-	-
Balances with Correspondents :												
Bank of Bengal - - - - -	1,55,000	-	-	-	-	-	1,45,000	-	-	3,72,448	14	10
Bank of Madras - - - - -	64,515	7	6	-	-	-	-	-	-			
Messrs. Coutts & Co. - - - - -	7,933	7	4	-	-	-	-	-	-			
Branches' Balances with Correspondents - - - - -	3,87,587	4	9	-	-	-	-	-	-	3,87,587	4	9
Indian Notes purchased - - - - -	1,610	-	-	-	-	-	-	-	-	1,610	-	-
Premises at Head Office and Kurrachee, including Furniture -	5,00,000	-	-	-	-	-	-	-	-	5,00,000	-	-
Rs.	20,71,686	2	2	10,08,321	11	1	5,74,596	13	5	36,54,604	10	8

Bank of Bombay, Bombay,
19 December 1867.(signed) Robert Clark,
Officiating Accountant.

(D.)

STATEMENT of sundry PROPERTIES held by the BANK of BOMBAY as
SECURITY for DEBTS.

PROPERTIES STILL TO SELL.	Mr. T. Crawford's Estimate.			Present Estimated Value.		
	Rs.	a.	p.	Rs.	a.	p.
Chomar Bagh property, containing 120,000 square yards and three bungalows - - - - -	1,42,286	-	-	90,000	-	-
Parell Flag Staff Hill, containing 30,000 square yards - - - - -	25,000	-	-	20,000	-	-
*Henry Rogers' property at Byculla - - - - -	-	-	-	4,00,000	-	-
*Henry Rogers' "shop," being stock in trade and goodwill of business - - - - -	-	-	-	50,000	-	-
* These properties were mortgaged to the Asiatic Bank, and by that Bank handed over to us.						
Premabhai Hemabhai's house in Love Lane (cost him 1,50,000 rupees) - - - - -	-	-	-	75,000	-	-
Cummulsey Prenjee's land near Grant Road station, contains 16,000 square yards. (Cummulsey was offered 4,00,000 rupees for it three years ago) - - - - -	55,870	-	-	30,000	-	-
Foras land on Byculla Flats, contains 1,26,000 square yards; it was the property of Premchund Roychund - Bungalow in Byculla belonging to Cursetjee Hornnisjee Chenoy and Jehangeer Hornnisjee Chenoy; they are indebted to the Bank in a sum of 60,000 rupees, and offered to compromise for 45,000 rupees - - - - -	18,133	-	-	18,000	-	-
House in Bapdavia Street, outside Fort - - - - -	-	-	-	40,000	-	-
Bank's property in Ahmedabad; cost price, 18,000 rupees - - - - -	-	-	-	8,000	-	-
Ditto - - - Olomrawuttee; ditto - 6,000 " - - - - -	-	-	-	10,000	-	-
Ditto - - - Seetabuldee; ditto - 15,000 " - - - - -	-	-	-	6,000	-	-
Building in Elphinstone Circle; ditto, about 3,00,000 rupees - - - - -	-	-	-	12,000	-	-
*Two houses in Hornby Row, mortgaged to Asiatic Bank, and now in our possession - - - - -	-	-	-	2,00,000	-	-
*Two small houses in Byculla, ditto - ditto - ditto - - - - -	-	-	-	50,000	-	-
*These four houses, and the Bombay Education Society's Press, noted below, are held in security against a debt (due to Asiatic Bank) of 2,10,000 rupees, which will be paid in full. The whole debt is mortgaged to us.						
<i>Jewellery.</i> —A large collection of first class jewellery, formerly the property of Premchund Roychund. The whole has been sent to London for sale - - - - -	3,35,000	-	-	London valuation.		
These jewels were valued by Messrs. Hamilton & Co., of Calcutta, as worth 4,65,209 rupees.				2,37,000	-	-
TOTAL Estimated Value of Property still to sell - - - Rs.				12,56,000	-	-
PROPERTIES SOLD, BUT NOT YET PAID FOR IN FULL:						
(The solicitors are preparing the conveyances.)						
	Rs.					
Bombay Education Society's Press, Byculla, sold for - - - - -	-	-	80,000			
Earnest Money received - - - - -	-	-	8,000	72,000	-	-
Matoonga property, sold for - - - - -	-	-	56,000			
Earnest Money received - - - - -	-	-	14,000	42,000	-	-
Unjeer Bagh property, sold for - - - - -	-	-	62,000			
Earnest Money received - - - - -	-	-	15,000	47,000	-	-
Zoolum Bagh, sold for - - - - -	-	-	18,000			
Earnest Money received - - - - -	-	-	4,000	14,000	-	-
Two small bungalows in Colaba, sold for - - - - -	-	-	15,500			
Earnest Money received - - - - -	-	-	3,875	11,625	-	-
Madoba Hurrychunderjee's property on Girgaum Road - - - - -	-	-	-	1,17,000	-	-
This property was mortgaged by Madoba to Alliance Financial Association, and by that Association handed to us. The property consists of Ginger's stables and houses, and Madoba's bungalow close to the stables. He has agreed to buy it back for 1,17,000 rupees, and it is understood he has got 1,00,000 rupees ready but cannot raise the remaining 17,000 rupees. Bank has raised an action in Court to compel Madoba to complete conveyance.						
Carried forward - - - Rs.				15,59,625	-	-

	<i>Rs.</i>	<i>a.</i>	<i>p.</i>
Brought forward - - -	15,59,625	-	-
<i>Shares:—</i>			
328 Colaba Land Company's shares sold at 1,085 rupees per share, but not yet paid for; the present valuation is made at 900 rupees per share. (Sold for 3,55,880 rupees) - - - - -	2,95,200	-	-
50 Shares of Apollo Bonded Warehouse, worth about 280 rupees per share - - - - -	14,000	-	-
PAST DUE OBLIGATIONS CONSIDERED GOOD:			
The names were submitted confidentially this morning - - -	1,12,844	-	-
ESTIMATE MADE ON INSOLVENT ESTATES IN AUGUST 1867:			
	<i>Rs.</i>	<i>Rs.</i>	
Under Act XXVIII. - - - - -	89,00,000		
Private trust, or otherwise insolvent - - -	54,64,014		
Under official assignee - - - - -	6,90,000		
Public companies, under court - - - - -	43,13,939		
		193,67,953	
Dividends then expected on above insolvent estates -		27,00,000	
Deduct for dividends since received - - -		5,50,000	
Say one-half - - - - -		21,50,000	
	<i>Rs.</i>	10,75,000	10,75,000 - -
		<i>Rs.</i>	30,56,669 - -
Bank of Bombay, } 21 December 1867. }	(signed)	Robert Clark, Officiating Accountant.	

(E.)

(No. 20, of 1867.)

The Secretary and Treasurer, Bank of Bombay.

New Bank of Bombay, Limited, Bombay,
20 December 1867.

Dear Sir,

I AM instructed by the Directors to hand you copy of a resolution passed by them at a meeting held to-day.

"On condition of Government giving the Company the benefit of the terms of the agreement at present subsisting between the Government and the Bank of Bombay, the Company will grant the Government a credit of 25 lacs (twenty-five lacs) of rupees, to be in force for six months, Government to have the power to reduce the amount of the credit on giving 10 days' notice. Such credit to bear interest at the current rate charged by the Bank on advances on Government paper, for the whole amount of the credit, irrespective of the sum advanced, it being understood that the credit is entirely distinct from the agreement between the Government and the Bank of Bombay, and the interest which the Bank is entitled to charge thereunder."

I am, &c.

(signed) W. Fraser, Deputy Secretary.

(No. 23 of 1867.)

To E. W. Ravenscroft, Esq., Chief Secretary to Government, Financial Department,
Bombay.

Sir,

WITH reference to the proposed transfer of the Government account to the New Bank of Bombay, I am instructed by the Board of Directors to state, for the information of his Excellency the Governor in Council, that, as a temporary arrangement, until the capital of the Bank on the first issue of shares has been paid up, they will be prepared to take over the Government account on the terms of the agreement between Government and the Bank of Bombay, with this qualification, that the Treasury balance in excess of 25 lacs of rupees be placed in Her Majesty's Mint, or otherwise as Government may direct.

The

The New Bank will then be prepared to grant to Government a credit of 25 lacs of rupees to be in force for six months, Government to have the option of reducing the amount of credit on giving 10 days' notice; such credit to bear interest at the current rate charged by the Bank on advances on Government paper for the whole amount of the credit, irrespective of the sum advanced; it being understood that this credit is entirely distinct from the agreement before referred to, and the interest which the Bank is entitled to charge thereunder.

The Board trust that this arrangement will meet the views of his Excellency the Governor on the subject.

New Bank of Bombay (Limited),
Bombay, 21st December 1867.

I have, &c.
(signed) *W. Fraser*,
Deputy Secretary.

(Financial Department, No. 1577 of 1867.)

To *J. Stuart*, Esq., Secretary and Treasurer of the Bank of Bombay.

Sir,

Bombay Castle, 27 December 1867.

I HAVE received and placed before the Right Honourable the Governor in Council your letter, No. 5555, 1867, dated 21st instant, with reference to the liquidation of the Bank of Bombay.

2. In your 4th paragraph you write, "I am directed respectfully to request that Government will be pleased to allow a sum equivalent to the minimum balance, viz., 25,00,000 rupees, to remain with the old Bank, or, in the event of the Government balance being below that amount, to advance a sum sufficient to make it up to 25 lacs until a sufficient sum is realised out of the assets to repay this sum; and in the meantime the Government, being the only creditor, would have a preferential right over the whole assets of the Bank, the principal of which are specified in the enclosed Statement marked D, and the whole of this debt, with interest, must be repaid before any portion of the capital can be returned to the shareholders."

3. In reply, I am desired to say that the Right Honourable the Governor in Council is pleased to accede to the above request on the distinct understanding that the interest and all other charges are defrayed by the Bank of Bombay.

4. This sanction is contingent on the approval of the Government of India, which, it has been asked, may be sent by telegraph.

5. A copy of a letter addressed to the Deputy Secretary of the New Bank of Bombay (Limited) is forwarded for the information of your Directors.

I have, &c.
(signed) *E. W. Ravenscroft*,
Acting Chief Secretary to Government.

(Financial Department.—No. 1578 of 1867.)

To the Deputy Secretary of the New Bank of Bombay (Limited).

Sir,

Bombay Castle, 27 December 1867.

I HAVE received and placed before the Right Honourable the Governor in Council your letter, No. 23, 1867, dated 21st December 1867, with reference to the terms on which the New Bank of Bombay (Limited) "will be prepared to take over the Government account."

2. I am desired, in reply, to state that Government accede to your proposal to adopt as a temporary arrangement, from the 14th January next till the capital of the Bank on the first issue of shares has been paid up, the present Agreement with the old Bank, dated the 10th April 1867, with the modification that the Treasury balance in excess of 25 lacs be placed in the Mint, or be otherwise disposed of, as Government may direct. In the Agreement the date of the probable payment of the full capital on the first issue will be stated as the date on which this Agreement will be liable to revision.

3. You are, however, to understand that this arrangement is subject to the sanction of the Government of India, who have been requested to send an answer by telegraph.

I have, &c.
(signed) *E. W. Ravenscroft*,
Acting Chief Secretary to Government.

(Financial Department.—No. 1579 of 1867.)

From *E. W. Ravenscroft*, Esq., Acting Chief Secretary to the Government of Bombay, to
E. H. Lushington, Esq., Secretary to the Government of India, Financial Department.

Sir,

Bombay Castle, 27 December 1867.

I AM desired by the Right Honourable the Governor in Council to forward copies of the letters marginally noted with reference to the Bank of Bombay and the New Bank of Bombay (Limited).

Printed,

Vide p. 194.

Letter from the Secretary and Treasurer, Bank of Bombay, No. 5555, dated 21st December 1867, with accompaniments.

198. Letter from the Deputy Secretary of the New Bank of Bombay (Limited), No 23, dated 21st December 1867.

199. Letter to the Secretary and Treasurer, Bank of Bombay, No. 1577, dated 27th December 1867.

" Letter to the Deputy Secretary of the New Bank of Bombay (Limited), No. 1578, dated 27th December 1867.

2. It will be seen that the case stands thus. The Old Bank is in a position to pay off at once, from available assets in hand, all its creditors except Government; but unless Government consents to allow its minimum balance of 25 lacs to remain in the hands of the Old Bank, the liquidation cannot be carried out without suspension of payment, as there are not assets sufficient to hand over to the New Bank to meet the claims of Government as well as of the other creditors.

3. As Government has guaranteed all depositors till the 1st March next, Government would, in any case, have to pay all depositors before being able to claim its own balance from the Old Bank.

4. It seemed, therefore, to be absolutely necessary to make some arrangement of the nature proposed, and the means suggested appeared to be satisfactory, as the assets of the Old Bank may on the one hand be accepted as covering the risk, while on the other hand the debt of Government to the New Bank would give additional security for the balance of Government money entrusted to the New Bank before the full capital on the first issue has been paid up.

5. The terms of the present Agreement, to which especial reference is made in the letter from the Secretary to the New Bank, runs thus:—

"That from and after the said first day of March, one thousand eight hundred and sixty-seven, an average cash balance of forty lacs of rupees on the Government banking account at Bombay shall during the continuance of this Agreement be maintained in the hands of the bank, so far as the same conveniently may be done, the whole of which balance the said bank shall be at liberty to use and employ for its own benefit and profit, subject to the provisions of their present charter Act; and the said balance which shall from time to time be to the credit of the Government shall appear in the books of the said bank as the Government balance. But in case the Government cash balance in the hands of the said bank shall on any day after the said first day of March, one thousand eight hundred and sixty-seven, and during the continuance of this Agreement, be less than twenty-five lacs of rupees, then, and so often as the same shall happen, the said bank shall be entitled to receive from the said Secretary of State, interest on the difference between the amount of the actual Government cash balance of the day and the sum of twenty-five lacs of rupees, as the case may be; such interest to be reckoned at the lowest rate charged by the said bank to the public on the day on which the difference may exist."

6. On a full consideration of the peculiar circumstances of the case, the Right Honourable the Governor in Council directed the answers to be written to the secretaries of the two banks which accompany this letter, and I am desired to request the sanction of the Government of India to the orders passed by this Government. As the matter is emergent, I am directed to request you will be good enough to forward an answer by telegraph.

I have, &c.

Acting Chief Secretary to Government.

TELEGRAM from the Financial Secretary to the Government of India, to the Chief Secretary to the Government of Bombay, dated 3rd January 1868.

WE agree to advance 25 lakhs from the Treasury balance now in the bank, to pay the depositors.

2. We also agree to open an account with the New Bank on the 14th January, with a deposit of 25 lakhs, being the minimum Treasury balance under the existing agreement with the Old Bank. But with regard to any advance to be made by the bank to meet the temporary requirements of the Government, we can assent to no other terms than those under which advances are made at present by the presidency banks, namely, the payment of the current rate of interest day by day on the advance actually made.

3. Under no circumstances can the Government consent to pay interest on a fixed cash credit.

(signed) *E. H. Lushington*,
 Secretary to the Government of India.

(Financial Department.—No. 24 of 1868.)

To *J. Stuart*, Esq., Secretary and Treasurer of the Bank of Bombay.

Sir,

Bombay Castle, 8 January 1868.

WITH reference to my letter No. 1577, dated 27th December 1867, relating to liquidation of the Bank of Bombay, I have the honour to forward, for your information, copy of a telegram received from the Financial Secretary of the Government of India.

I have, &c.

(signed) *E. W. Ravenscroft*,
Acting Chief Secretary to Government.

(Financial Department.—No. 25 of 1868.)

To the Deputy Secretary of the New Bank of Bombay (Limited).

Sir,

Bombay Castle, 8 January 1868.

WITH reference to my letter No. 1578, dated 27th December 1867, relating to the terms on which the New Bank of Bombay (Limited) will be prepared to take over the Government account, I have the honour to forward, for the information of your directors, copy of a telegram received from the Financial Secretary to the Government of India.

2. I am desired by the Right Honourable the Governor in Council to say that he anticipates no objection will be offered to the modification required by the Government of India.

I have, &c.

(signed) *E. W. Ravenscroft*,
Acting Chief Secretary to Government.

(Financial Department.—No. 5 of 1868.)

To the Under Secretary of State for India, London.

Sir,

Bombay Castle, 14 January 1868.

I AM directed by the Right Honourable the Governor in Council to forward to you, for submission to Her Majesty's Principal Secretary of State for India, the accompanying copies of communications noted in the margin, on the subject of the appointment of a Government Inspector to supervise the proceedings of the New Bank of Bombay (Limited).

Letter from the Secretary to the Government of India, No. 3150, dated 18th December 1867.

Reply from the Government of Bombay to the above, No. 1584, dated 30th December 1867.

Further letter from the Government of Bombay to the Government of India, No. 45, dated 11th January 1868.

I have, &c.

(signed) *E. W. Ravenscroft*,
Acting Chief Secretary to Government.

(Financial Department.—No. 3150.)

To the Chief Secretary to the Government of Bombay.

Sir,

Fort William, 18 December 1867.

YOUR telegram of the 12th instant having expressed the intention of the Government of Bombay to take shares in the new bank, in pursuance of the discretionary power vested in His Excellency the Governor of Bombay by the Secretary of State, I am directed to request the opinion of His Excellency as to the best measures to be adopted for exercising an efficient control over the proceedings of the bank, in which Government will now be the largest shareholder and the largest depositor.

2. In the opinion of the Government of India, the proposed relations between the Government of Bombay and the new bank being in other respects precisely similar to those now existing between Government and the other two presidencies, the appointment of an officer instead of directors nominated by the Government to supervise the proceedings of the Bank at Bombay would be inexpedient.

3. It appears to the Governor General in Council that, as the relations between the Government and the new bank will differ materially from those contemplated in the Secretary of State's Despatch to this Government of the 24th October last, the instructions contained in that Despatch, so far as they relate to the appointment of a Government officer, are no longer applicable.

I have, &c.

(signed) *E. H. Lushington*,
Secretary to the Government of India.

(Financial Department.—No. 1584 of 1867.)

To *E. H. Lushington*, Esq., Secretary to the Government of India.

Sir,

Bombay Castle, 30 December 1867.

I HAVE had the honour to receive your letter, No. 3150, dated 18th of December 1867, in which you request the opinion of his Excellency the Governor as to the best measures to be adopted for exercising an efficient control over the proceedings of the Bank of Bombay now that Government has become the largest shareholder.

2. In reply, I am directed to state that, with reference to that part of paragraph 7 of the letter of the Secretary of State (No. 368, dated 24th October 1867), which relates to bye-laws, the directors of the new bank of Bombay (Limited), have been called on for a copy of the bye-laws, that they may be considered by Government, and approved if found satisfactory. With reference to paragraphs 2 and 3 of your letter, conveying the opinion of the Government of India that the appointment of an inspector, as directed in the Secretary of State's letter of the 24th October, is no longer expedient, and that directors should be appointed on the part of Government in the same manner as is now done in the other presidency banks, I am directed to say that the only modification suggested by the Secretary of State in the terms of his letter before quoted has reference to the holding of shares; and I am to add, in conclusion, that the Right Honourable the Governor in Council entertains no doubt that it is the wish of the Secretary of State that the appointment of an inspector should be adhered to.

I have, &c.

(signed) *E. W. Ravenscroft*,
Acting Chief Secretary to Government.

(Financial Department.—No. 45 of 1868.)

To *E. H. Lushington*, Esq., Secretary to the Government of India, Financial Department.

Sir,

Bombay Castle, 11 January 1868.

I AM desired by the Right Honourable the Governor in Council to write more fully on the subject of a Government Inspector for the new bank of Bombay than I was able to do in my telegram of the 7th instant.

2. In my letter, No. 1584, dated 30th ultimo, I explained that his Excellency the Governor in Council entertained no doubt that it is the wish of the Secretary of State that the appointment of an inspector should be adhered to, and under the orders as they now stand, it is incumbent on Government to appoint an inspector or auditor. I am desired also to add that in the "Articles of Association" of the new bank, which have been already registered, no provision for any nomination of directors has been made. To render such an arrangement possible, therefore, the "Articles of Association" would have to be altered.

3. The 112th section of the "Articles of Association" of the new bank is as follows:—

"If Government shall so require, as affording further security to them as to their deposit account before mentioned, it shall be lawful for the Governor in Council of Bombay from time to time to appoint one or more persons to act as auditors of the accounts of the Company, in addition to the auditors before named, and the persons so nominated shall be called the Government auditors, and they shall not be subject to any of the rules before mentioned as to the appointment of auditors by the Company. The said Government auditors shall be entitled to see the books of account, documents, vouchers, cash, and securities of or held by the bank, and to make report from time to time to Government thereon."

4. His Excellency the viceroy will thus see that there is a means by which a Government inspector can at once be nominated, whereas the appointment of directors on behalf of Government must be attended with delay.

5. As mentioned in my telegram of the 7th instant, Financial letter, No. 368, dated 24th October 1867, addressed to the viceroy by the Secretary of State, was not received by his Excellency the Governor until after the new bank had been registered. This has proved inconvenient, as the Secretary of State, in the 8th paragraph of his letter above mentioned, directs the Government of India to appoint a competent officer to perform the duties of inspector, whereas the previously quoted section of the "Articles of Association" places the nomination of such an officer in the hands of the Governor of Bombay in Council.

6. When considering the whole question, I am desired to request that his Excellency the Viceroy will state what his wishes are on this point. In the meantime some immediate arrangement is necessary, as the new bank commences business on the 14th, and his Excellency the Governor in Council is desirous that from its very commencement its affairs should be carefully supervised by Government.

7. The

7. The Right Honourable the Governor in Council, therefore, proposes to appoint an officer at once as Government Inspector, pending the receipt of instructions from the Government of India. This officer will be selected from amongst those stationed in Bombay, and will receive no salary for his new duty. He will be instructed to keep himself thoroughly conversant with the bank's business, and make a weekly report to Government.

8. Such an arrangement, however, would only be temporary, as the Secretary of State indicates in the Despatch referred to, that the inspection of the affairs of the bank should be the principal, if not the only, employment of the officer appointed to that duty, and it would be impossible to give permanently such an onerous charge to any officer whose time would be properly devoted to the discharge of his ordinary duties.

9. His Excellency in Council begs to point out at the same time that no provision is made by the Articles of Association, or the present agreement between the Government and the Bank, for the remuneration of an inspector, should his Excellency the Governor General in Council decide upon appointing any one whose time will be entirely given to the performance of the duty of inspection.

10. With reference to the 7th paragraph of letter, No. 368, I am desired to state that the directors of the New Bank of Bombay have been called on for a copy of their bye-laws; but up to the present time Government have not been furnished with a copy.

11. A copy of the Memorandum and Articles of Association of the New Bank of Bombay (Limited) is forwarded herewith for the information of the Governor General in Council.

I have, &c.
(signed) *E. W. Ravenscroft*,
Acting Chief Secretary to Government.

MEMORANDUM of ASSOCIATION of the NEW BANK of BOMBAY, Limited.

1. THE name of the company is "The New Bank of Bombay, Limited."

2. The registered office of the company is to be established in Bombay.

3. The objects for which the company is established are the advancing and lending money on Government securities and shares in Indian railways, the interest whereon shall have been guaranteed by Government, the discounting, buying, and selling of bills of exchange and other negotiable securities payable in India: provided always, that the Board of Directors shall have authority to open drawing accounts with the banks of Bengal and Madras, and to make from time to time, with or without collateral security, such temporary advances to either of those corporations as to the said directors shall appear to be expedient; the making of investments of the moneys of the bank on securities of the Government of India, or in loans or bonds secured by the Imperial Parliament or the revenues of India, or in debentures of railways guaranteed by the Government of India, and from time to time altering, converting, and transposing such investments for others of a like nature, the making, issuing, and circulating of bank post bills and letters of credit made payable in India to order or otherwise than to the bearer on demand, buying and selling of gold or silver bullion, the receiving of deposits, keeping cash accounts, and granting cash credits, the granting loans, and making advances upon any goods, wares, or merchandise which shall have been duly insured against fire or other risk against which they may be insurable, or upon other property or securities of the description above mentioned which, or the documents of title to which shall be deposited with or assigned to the said bank as security for such loans and advances, and for the selling and realisation of the proceeds of sale of any such goods, wares, merchandise, or other property or securities which, or the documents of title to which have been so deposited or assigned, or which shall be held by the said bank, and over which the said bank shall be entitled to any lien or charge in respect of any such loan or advance, or any debt or claim of the said bank, and which said goods, wares, merchandise, property, security, or documents of title so as aforesaid deposited with, assigned to, or held by the said bank, shall not in due time in accordance with the terms and conditions (if any) of such deposit or assignment have been redeemed; the acting as agents either for commission, or profit, or otherwise in the transaction of the following kind of business. The taking charge of any Government or other securities or shares in any railway, bank, or joint stock company. The receiving of the interest or dividends on any such securities or shares. The investment of any money deposited in the said bank in any of the said securities or shares on account of the depositor. The sale or transfer of any such securities or shares deposited with the said bank, or the receipt of any principal money that may be payable thereon. The investment of the principal and interest and dividends so received, or the proceeds of such sale as last aforesaid in any such securities or shares, or according to the instructions of their constituents to hold or pay such principal, interest, dividends or proceeds, or at the risk of such constituents to remit the same by public or private bills, either payable in India, or in

"Ordinary meeting" means an ordinary meeting of the shareholders of the company duly called and constituted, and any adjourned holding thereof.	Ordinary meeting.
"Extraordinary meeting" means an extraordinary meeting of the shareholders of the company duly called and constituted, and any adjourned holding thereof.	Extraordinary meeting.
"Meeting" means a meeting of shareholders.	Meeting.
"Office" means the registered office from time to time of the company.	Office.
"Seal" means the common seal from time to time of the company.	Seal.
"Month" means a calendar month.	Month.
Words importing the singular number only, include the plural number.	Singular number.
Words importing the plural number only, include the singular number.	Plural number.
Words importing the masculine gender only, include the feminine gender.	Gender.

II.—CONSTITUTION.

3. The following shall be the regulations of the company, but subject to repeal and alteration as provided by these presents. Regulations.

III.—BUSINESS.

4. The business of the company shall include the several objects expressed in the Memorandum of Association. Company's business.

5. The business shall be carried on by or under the management of the directors, subject only to such control of meetings as is provided for by these presents. Management.

6. The head office of the company shall be in the city of Bombay, and the business of the company shall be carried on there and at such other place or places in India as the Board may deem advisable. Place of business.

IV.—CAPITAL.

7. The capital of the company shall consist of one crore of rupees, divided into 20,000 shares of 500 rupees each, of which 10,000 shares are to be immediately allotted as the first issue, and 10,000 are to be reserved for issue hereafter, as hereinafter mentioned, and shall be called or known as the reserved issue of all which shares the persons who at the time of such allotments being respectively made shall be shareholders in the old Bank of Bombay, incorporated under Act X. of 1863, and who shall have applied for the same in such manner and within such period as the directors shall have prescribed or may hereafter determine shall be entitled to an absolute preference. The Board shall be bound to make the said "reserved issue" when and so soon as the surplus assets realised from and by the said old Bank of Bombay, after payment of its debts, shall amount to the sum of 100 rupees per share of such issue, and shall allot the said shares to the persons who shall then be the holders of shares in the old Bank of Bombay, and who shall be willing to accept the same, in the proportion of one share of 500 rupees each of such "reserved issue" to every two shares held by them in the said old Bank of Bombay; and such issue shall be made on the sum of 100 rupees for each of the shares so issued being paid by the liquidators of the said old Bank of Bombay to this company. If the liquidators of the said old Bank of Bombay shall not be in a position, within 18 months from the date of the allotment of the said first issue, to pay the sum of 100 rupees per share on the said reserved issue, the directors shall be entitled to proceed to make and allot the said reserved issue, inviting applications from the said shareholders of the said old Bank of Bombay for the same, upon such terms as to payment of calls thereon as the directors may determine, subject to Article 31 of these presents. Provided always, that all the shares to which the said shareholders of the old Bank of Bombay are entitled as aforesaid shall be allotted to them at par. Any of the shares forming the said "reserved issue" not so taken up by the shareholders of the old Bank of Bombay shall be dealt with in such manner as the shareholders of this company at any "ordinary" or "extraordinary general meeting" shall determine. The Board may from time to time, by a special resolution of the shareholders, passed in accordance with the provisions of Act X. of 1866, increase existing capital by a further issue of shares, not exceeding in the whole (including the said "first" and "reserved" issue) 40,000 shares, representing a nominal capital of two crores of rupees. As to capital, and increase thereof.

8. Whenever such increase of capital shall have been sanctioned, the directors shall carry the resolution into effect in such manner as they deem most expedient, subject nevertheless to the provisions of the statutes and these presents, and to the special directions (if any) given in reference thereto by the extraordinary meeting at which the resolution for such increase shall have been passed and confirmed as aforesaid. How carried into effect.

Same as original capital.

9. Any capital so created shall, except so far as is otherwise directed by any such special directions, be subject to these presents, in the same manner as if it had been part of the original capital.

V.—SHARES.

Acceptance of shares.

10. An application signed by or on behalf of the applicant for shares in the company, followed by an allotment of any shares thereon, shall be an acceptance of such shares within the meaning of these articles; and every person who thus or otherwise accepts any share, and whose name is on the register, shall, for the purpose of these articles, be deemed to be a shareholder, with all the rights and privileges, and all the duties and liabilities of such, and it shall not be necessary for any applicant to sign the Articles of Association of the company.

Certificates.

11. Every shareholder shall, on payment of such sum, not exceeding one rupee, as the Board from time to time prescribe, be entitled to a certificate, under the common seal of the company, and signed by two directors and the secretary and treasurer for the time being, specifying the share or shares held by him, and the amount paid thereon.

Renewal of certificate.

12. If any such certificate be worn out or lost, it may be renewed on payment of a like sum, provided such evidence as the Board deem reasonable be afforded of the title of the party applying for the renewal.

Company to have a lien on shares.

13. The company shall have a first and paramount lien upon all the shares of any shareholder for all moneys due to the company from him alone, or jointly with any other person; and where a share is held by more persons than one, the company shall have the lien thereon in respect of all moneys so due to them from all or any of the holders thereof.

The first named of joint holders deemed sole holder.

14. If any share shall stand in the names of two or more persons, the person first named in the register may, at the option of the Board, be, as regards voting at meetings, receipt of dividends, services of notices, and all or any other matters connected with the company, except the transfer of the share, deemed the sole holder thereof.

No share shall be subdivided.

15. No share shall be subdivided.

Company not bound to recognise any trust or interest in share other than that of registered holder.

16. The company shall not be bound by or recognise any trust, express or implied, or any equitable, contingent, future, or partial interest in any share, or (except only as is by these presents otherwise expressly provided) any other right in respect of a share than an absolute right thereto, in accordance with these presents in the person from time to time registered as the holder thereof.

Notice of change of name or place of abode, or of marriage of shareholder.

17. No shareholder who shall change his name or place of abode, or, being a female, shall marry, and no husband of any such last-mentioned shareholder, shall be entitled to recover any dividend, or to vote, until notice of the change of name, or abode, or marriage, be given to the company, in order to its being registered.

VI.—TRANSFER AND TRANSMISSION OF SHARES.

Register of transfers.

18. The company shall keep a book, to be called the "Register of Transfers," and therein shall be fairly and distinctly entered the particulars of every transfer or transmission of any share.

Transfer books when closed.

19. Directors may from time to time close the transfer books of the company, for any period or periods not exceeding in the whole 21 days in any one year.

Company may refuse to register transfers.

20. The company may decline to register any transfer of shares whilst the shareholder making the same is either alone, or jointly with any other person, indebted to the company, on any account whatsoever, or unless the person named as transferee is approved by the Board.

Title to shares of deceased holders.

21. The executors or administrators of a deceased shareholder shall be the only persons recognised by the company as having any title to his shares.

Registration of persons entitled to shares in any way other than by transfer.

22. Any person becoming interested in a share in consequence of the death, bankruptcy, or insolvency of any shareholder, or the marriage of any female shareholder, or by any lawful means other than by transfer or deed, in accordance with these presents, may, upon producing such evidence as the Board think sufficient, either be registered himself as the holder of the share, or elect to have some person nominated by him, and approved by the Board, registered as such holder.

Transfer by such person to his nominee.

23. Provided, nevertheless, that if he shall elect to have his nominee registered he shall testify the election by executing to his nominee a deed of transfer of the share, and until he do so, he shall not be freed from any liability in respect of the share.

Form of transfer to be approved by Board.

24. Every transfer of share by deed shall be in such form as the Board from time to time lawfully approve, and shall be presented to the company, accompanied by such evidence as the Board may require to prove the title of the transferor.

25. Every

25. Every transmission of a share shall be verified in manner as the Board require; and the company may refuse to register any such transmission until the same be so verified. Board may require evidence of transmission.
26. There shall be paid, in respect to the transfer or transmission of any number of shares to the same party, such sum of money, not exceeding rupees per share, as the directors may from time to time prescribe. Fee on transfer or transmission.
27. If any of the shareholders shall become indebted to the company, it shall be lawful for the directors to withhold payment of the dividends on the share or shares of the person or persons so indebted until payment of such debt, and to apply such dividends towards payment; and after demand or default of payment, and one calendar month's notice in that behalf given either to such shareholder or shareholders, or his or her constituted agent, or by public advertisement in the official "Gazette," it shall be lawful for the directors to refuse registration of the transfer of any such share or shares until payment of such debt; and if the same shall remain unpaid for the space of four months after such notice, the directors shall have power to declare the same shares forfeited, and to sell and dispose of such share or shares, or so many of such shares as may be necessary to discharge the debt, and to register the names of the purchaser or purchasers of the said shares in lieu of the former owner thereof, and to apply the proceeds of such sale or sales towards payment of such debt, paying over the surplus, if any, to the person or persons indebted, or his or her lawful representative. Unpaid calls on any shares, whether those which shall be so sold or otherwise, held by a shareholder in the company, shall be deemed a debt within the meaning of this article. Shares of proprietors indebted to the bank.

VII.—CALLS.

28. In respect of the said first issue of 10,000 shares, the amount due thereon shall be paid by the shareholders in manner following:—25 rupees on application, 225 rupees on allotment, and the balance of 250 rupees in two instalments of 125 rupees each, which shall be and become respectively payable on the 15th day of January and the 1st day of March 1868; and calls of those respective amounts on each of the shares forming the said first issue shall be deemed to have been made, and to be due and payable by the shareholders on the respective dates aforesaid, without any further notice thereof by the directors or the secretary and treasurer of the company. But the directors shall be authorised to extend the time for payment of calls by shareholders residing out of India. Calls to be paid on first issue.
29. The Board may from time to time, and subject as aforesaid, make such calls upon the shareholders in respect of all moneys unpaid on their shares as the Board think fit, and every shareholder shall be liable to pay the amount of every call to the persons and at the time and place appointed by the Board. Board may make calls to be paid by shareholders.
30. Twenty-one days' notice, at the least, shall be given of the time and place appointed by the Board for the payment of every call. Twenty-one days' notice of calls to be given.
31. No call shall, subject as aforesaid as to the mode in which the payment of the moneys due on the first issue of shares shall be made by the shareholders, exceed 125 rupees per share, and at least three months shall intervene between the time appointed for the payment of two successive calls. Interval between calls and amount of each.
32. A call shall be deemed to have been made at the time when the resolution authorising the call was passed by the Board.
33. If any shareholder fail to pay any call due from him on the day appointed for payment thereof, he shall be liable to pay interest for the same, if the moneys be due in respect of the first issue of shares, at the rate of at least 12 per cent. per annum, or at the current rate if it be more than 12 per cent., and as to all other calls at the highest rate current for advances by way of local discounts by the company from the day appointed for the payment thereof for the period intervening between that date and the time of actual payment. Call to date from the day on which it is made, as to calls after 5 l. per share paid.
Calls to carry interest.

VIII.—FORFEITURE OF SHARES.

34. If any shareholder shall fail to pay any call due from him on the appointed day, the Board may at any time thereafter during such time as the call remains unpaid, serve a notice on him requiring him to pay the call, together with any interest accrued due thereon by reason of non-payment as aforesaid. If call not made, notice to be given to shareholder.
35. The notice shall name a day (not being less than 30 days from the date of the notice) and a place or places on and at which the call and interest are to be paid, and the notice shall also state that in the event of the non-payment of such call and interest at the time and place appointed, the share in respect of which the call was made will be liable to be forfeited. Terms of notice.
36. If the requisitions of any such notice shall not be complied with, every or any share in respect of which the notice is given may be forfeited by a resolution of the Board to that effect. In default of payment, shares to be forfeited.

Notice of forfeiture to shareholder.

37. When any share is so declared to be forfeited, notice of the forfeiture shall be given to the holder of the share, and an entry of the forfeiture, with the date thereof, shall forthwith be made in the register.

Forfeited shares to be property of company, and may be sold, &c.

38. Every share which shall be forfeited shall thereupon be the property of the company, and may be sold, re-allotted, or otherwise disposed of, either to the original holder thereof, or to any other person, upon such terms and in such manner as the Board think fit.

Shareholder still liable to pay calls.

39. Any shareholder whose shares shall be forfeited shall, notwithstanding the forfeiture, be liable to pay to the company all calls owing upon the shares at the time of forfeiture, and the interest (if any) thereon.

Forfeiture of share to extinguish claims on the company.

40. The forfeiture of a share shall involve the extinction at the time of the forfeiture of all interest in all claims and demands against the company in respect of the share and all other rights as by these presents are expressly saved.

Certificate of forfeiture.

41. A certificate in writing under the hands and seals of two directors, and countersigned by the secretary and treasurer, that a share has been duly forfeited in pursuance of these presents, and stating the time when it was forfeited, shall be conclusive evidence of such forfeiture, and an entry of every such certificate shall be made in the minutes of the proceedings of the directors.

IX.—MEETINGS OF SHAREHOLDERS.

First ordinary meeting.

42. The first ordinary general meeting of the company shall be held at such time within eight months after the incorporation of the company as the Board may determine.

Subsequent ordinary meeting.

43. Subsequent ordinary general meetings shall be held once in every year, at such time and place as the directors may from time to time determine.

Extraordinary meetings.

44. The directors may, whenever they think proper, call an extraordinary general meeting, and they shall do so upon a requisition in writing by 10 or more shareholders, holding in the aggregate not less than 100 shares.

Requisition of shareholders to state object of meeting.

45. Any requisition so made by shareholders shall express the object of the meeting proposed to be called, and shall be left at the registered office of the company.

On receipt of requisition, directors to call meeting, and in default shareholders may do so.

46. Upon the receipt of any requisition, the directors shall forthwith convene an extraordinary general meeting, and, if they neglect to do so for one month from the leaving of the requisition, the requisitionists may themselves convene the meeting. Provided always, that no resolution passed thereat shall be binding on the company unless and until the same be confirmed by a second extraordinary meeting, convened for the purpose, under the provisions of Act X. of 1866.

Company may vary articles of association.

47. The company may, from time to time, by a special resolution passed at any extraordinary meeting, repeal, alter, or make new provisions in lieu of or in addition to any regulations of the company, whether contained in the Articles of Association or not.

Fourteen days' notice of meeting to be given.

48. Fourteen days' notice at least of every meeting, specifying the place, time, and hour of meeting, and the objects and business of the meeting, shall, in the discretion of the directors, be given, either by advertisement, or by notice sent by post, or otherwise, to the registered address of every shareholder, or, if the directors think fit, both by advertisement, and by notice as aforesaid, and no business other than such as is specified in such notice shall be transacted thereat.

By whom notice signed.

49. Every such notice (except as aforesaid) shall be signed by the secretary and treasurer, or by such other officer as the directors may appoint, except in the case of a meeting convened by shareholders, in accordance with these presents, in which case the notice may be signed by the shareholders convening the same, or by any 10 or more of them.

Omission to give notice not to invalidate resolution passed at meeting.

50. The omission to give any such notice to any of the shareholders, if the notice has been previously advertised, shall not invalidate any resolution passed at any such meeting.

Number of shareholders necessary for transaction of business.

51. Except as otherwise provided by these presents, no business shall be transacted at any general meeting, except the declaration of a dividend, unless there shall be personally present at the commencement of the business 12 or more shareholders.

If required number not present, meeting to be adjourned.

52. If, at the expiration of one hour from the time appointed for the meeting, the required number of shareholders shall not be present, the meeting, if convened upon the requisition of shareholders shall be dissolved, but in any other case it may be adjourned to such time on the following day, or on such other day, and to such place, as the shareholders present at the expiration of the hour determine.

Adjourned meeting to transact business.

53. At any adjourned meeting the shareholders present, subject to Article 51, shall have power to decide upon all the matters which could properly have been disposed of at the meeting from which the adjournment took place, in case a sufficient number of shareholders had been present thereat.

54. The chairman of the board of directors shall preside as chairman at every meeting, but if there is no such chairman, or if at any meeting he shall not be present at the time for holding the same, or shall be unwilling to act as chairman of the meeting, the directors, if any be present, shall choose one of their own number to be chairman of the meeting.

Chairman of directors to be chairman of meetings.

55. If at any meeting 12 shareholders shall be present, and the chair shall not be taken by the chairman of the board, or by a director, at the expiration of one hour from the time appointed for holding the meeting, or if before the expiration of that time all the directors shall decline to take the chair, the shareholders present shall choose one of their own number to be chairman of the meeting.

In chairman's absence, any director or shareholder may act.

56. The chairman, with the consent of the meeting, may adjourn any meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

Chairman with consent may adjourn meeting.

57. Every motion submitted to a meeting shall be decided in the first instance by a show of hands, and in the case of an equality of votes, the chairman shall, both on the show of hands and at the poll, have a casting vote in addition to his own vote.

Motions to be decided by show of hands or by votes; chairman to have casting vote.

58. A declaration by the chairman of any meeting that a resolution has been carried thereat upon a show of hands shall be conclusive; and an entry to that effect in the book of proceedings of the company shall be sufficient evidence of that fact, without proof of the number or proportion of the votes recorded in favour of or against such resolution, unless immediately on such declaration a poll shall be demanded in writing by at least five shareholders present, and entitled to vote at such meeting.

How question to be decided at general meeting.

59. If a poll be demanded, the same shall be taken at such time and place, and either by open voting or by ballot, as the chairman shall direct, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.

Poll to be taken if demanded.

60. The proceedings at any meeting duly called and constituted, and all resolutions and decisions of such meeting, shall be valid and binding on the company.

Proceedings and resolutions at meeting to be binding.

X.—VOTES OF SHAREHOLDERS.

61. At all such ordinary and extraordinary general meetings of the company, the shareholders entitled to vote shall vote according to the following scale:—

Number of votes to which each shareholder entitled.

The holder of 4 shares of the nominal or paid up sum of 500 rupees shall be entitled to—

						1 vote.
„	20	„	„	„	„	2 votes.
„	40	„	„	„	„	3 „
„	60	„	„	„	„	4 „
„	80	„	„	„	„	5 „
„	100	„	„	„	„	6 „

and one additional vote for every 50 shares above 100 shares.

62. No person shall be allowed to vote at any such meeting, in respect of any shares, until three calendar months after the time when he shall have become a registered proprietor of such shares, unless such shares shall be acquired, or shall have come by bequest, marriage, or succession to an intestate's estate, or by any deed of settlement after the death of any person who shall have been entitled for life to the dividends of such shares.

Shareholders entitled to vote.

63. If more persons than one are jointly entitled to shares, one of the said persons only shall be entitled to vote in respect of the same.

64. If any shareholder shall be a lunatic, idiot, or *non compos mentis*, he may vote by his committee, *curator bonis*, or other legal curator; and if any shareholder shall be a minor, he may vote by his guardian, tutor, or curator, or any one of his guardians, tutors, or curators, if more than one.

How shareholders *non compos mentis*, or minor, may vote.

65. No shareholder shall be entitled to vote at any meeting in respect of any shares held by him alone or jointly whilst any call due from him alone or jointly remains unpaid.

No shareholder in arrear with call to vote.

66. Votes may be given either personally or by proxy, but every proxy shall be appointed in writing under the hand of the appointor, or under the common seal of any corporation who may be the appointor.

Voting in person or by proxy.

67. No person shall act as proxy unless at the time of appointment he is a holder of at least four shares; nor unless the instrument of his appointment shall be deposited at the office at least three clear days before the time for holding the meeting at which he proposes to vote.

The proxy must be a shareholder qualified to vote, and his appointment must be deposited with secretary.

XI.—DIRECTORS.

Appointment of directors.

68. The directors of the company shall not be more than ten or less than six in number. The first directors shall be—

Archibald Duncan Grant, Esq.
Ahmedbboy Hubebhoy, Esq.
Andrew John Macdonald, Esq.
Henry Maxwell, Esq.

Kessowjee Naik, Esq.
William Nicol, Esq.
Dinshaw Manockjee Petty, Esq.

First directors to continue in office until first ordinary meeting.

69. The first directors, and any other directors appointed by the Board, shall continue in office until the first ordinary general meeting of the company, when they shall all retire from office, but shall be eligible for re-election.

Board may fill up vacancies and add to their number.

70. The Board shall have power at any time, and from time to time, to supply any vacancies in their number arising from death, resignation, or otherwise, and also to add to their number such additional directors as they think fit, not exceeding 10 in all, subject to the approval of the next ordinary meeting; but any person so chosen shall retain his office so long only as the vacating director would have retained the same if no vacancy had occurred.

Any directors appointed to hold office so long only as vacating director would have been entitled.

Three directors to retire annually.

71. At the second ordinary general meeting, and at the ordinary general meeting in every subsequent year, three of the directors, if the number of directors be 10, or if the number be less than 10, the number nearest to one-third of the directors for the time being, shall retire from office, but shall be eligible for re-election.

Retiring directors how determined.

72. The directors to retire from office at the second and every subsequent ordinary meeting shall, unless the directors otherwise arrange among themselves, be determined by ballot. In every subsequent year the directors to retire shall consist of those who have been the longest in office.

Retiring directors may be determined by ballot.

73. In case any question shall arise as to which of the directors who have been the same time in office shall retire, it shall be decided by the directors by ballot.

Qualification of directors.

74. No person, not being a director at the time of the first ordinary meeting, shall be eligible to the office of director unless he be the holder of at least 10 shares. Provided always, that any director retiring by rotation shall be deemed willing and eligible to be re-elected without such notice, unless he shall have given to the company notice in writing of a contrary intention at least 21 days before the day of election.

If election not made, meeting to stand adjourned for purposes of election.

75. If at any meeting at which any election of directors ought to take place no such election takes place, the meeting shall stand adjourned to the next business day at the same time and place; and if at the adjourned meeting no election takes place, the directors to retire shall continue in office until the then next ordinary meeting.

Directors may resign.

76. A director may at any time give notice in writing of his wish to resign by delivering such notice to the secretary, or leaving it at the registered office of the company; and, on the acceptance of his resignation by the Board, but not before, his office shall be vacant.

Remuneration of directors.

77. The directors shall be entitled each to receive for their remuneration a sum not exceeding two gold mohurs (the remuneration of the chairman being four gold mohurs) for every attendance at a Board meeting, and one gold mohur for attendance on the daily committee.

When office of director to be vacated.

78. The office of any director shall be vacated—

If he holds the office of director of any other bank established, or having an agency in Bombay.

If he accepts or holds any other office under the company.

If he becomes bankrupt or insolvent, or compounds with his creditors.

If he is declared lunatic, or becomes of unsound mind.

If he is absent from the Board for more than three consecutive months.

If he ceases to hold the required number of shares to qualify him for the office.

Directors may be removed and successors appointed at extraordinary meeting.

79. The company, in extraordinary meeting, may, by a resolution passed by the votes of shareholders holding in the aggregate at least three-fourths of the registered shares, remove any director before the expiration of his period of office, and appoint a qualified shareholder in his stead, and the director so appointed shall, in all respects, stand in the place of his predecessor.

Indemnity to directors and others from their own acts.

80. Every director, auditor, manager, secretary, and treasurer, and other officer, and his heirs, executors, administrators, and assigns, shall be indemnified by the company from all losses and expenses incurred by them respectively in or about the discharge of their respective duties, except such as happen from their own respective wilful acts or defaults.

81. The

81. The secretary and treasurer, and every other officer of the company, shall execute, or procure to be executed and given to the company, a security bond, conditional, in such an amount as the Board may determine, for securing the fidelity of such officer, and the proper discharge of his duties.

82. No director or officer, his heirs, executors, administrators, or assigns, shall be liable for any other director or officer; or for joining in any receipt, or other act for conformity; or for any loss or expense happening to the company by the insufficiency or deficiency of title to any property acquired by order of the directors for or on behalf of the company; or for the insufficiency or deficiency of any security in or upon which any of the moneys of the company shall be invested; or for any loss or damage arising from the bankruptcy, insolvency, or tortious act of any person with whom any moneys, securities, or effects shall be deposited, or for any other loss, damage, or misfortune whatsoever, which shall happen in the execution of the duties of his respective office, or in relation thereto, unless the same happen through his own wilful act or default.

Indemnity to directors and others from the acts of other persons.

83. Duly qualified persons shall from time to time be appointed to be solicitors of the company, and Messrs. Rimington, Hore, and Langley, shall be the first solicitors of the company, and standing counsel shall also be retained year by year for the company.

Appointment of solicitors and standing counsel.

XII.—POWERS AND PROCEEDINGS OF THE DIRECTORS.

84. The business of the company shall be managed by the Board, who, in addition to the powers and authorities by the statutes or by these presents expressly conferred upon them, may exercise all such powers, give all such consents, make all such arrangements, and generally do all such acts and things as are or shall be by the statutes and these presents directed or authorised to be exercised, given, made, or done by the company, and are not thereby expressly directed to be exercised, given, made, or done by the company in meeting, but subject nevertheless to the provisions of the statutes and of these presents; and subject also to such (if any) regulations as are from time to time prescribed by the company in meeting. But no regulation made by the company in meeting shall invalidate any prior act of the Board which would have been valid if the regulation had not been made.

Powers of directors.

85. The directors shall meet together for the dispatch of business at such times and places as they think fit, and may make such regulations as they think proper for summoning and holding of their meetings, and for the transaction of business thereat, and for determining the quorum necessary for the transaction of business.

Meetings of directors.

86. The directors may appoint a chairman of their meetings, who, subject to the terms of clause 82 of these Articles, shall retain office from the date of his appointment until the next annual general meeting of the shareholders, but shall be eligible for re-election, if he still continue or be re-appointed a director as aforesaid.

Directors may appoint chairman.

87. All meetings of the directors shall be presided over by the chairman, if present but if a chairman shall not be appointed, or if at any meeting of the directors the chairman shall not be present at the time appointed for holding the same, the directors present shall choose one of their number to preside at the meeting.

Appointment of chairman.

88. Any question which shall arise at any meeting of the directors shall be decided by a majority of votes, and in case of an equality of votes, the chairman thereat shall have a casting vote in addition to his own vote.

How questions at Board meetings decided.

89. The Board may delegate any of their powers, other than the power to make calls, to committees, consisting of such member or members of their body as the Board think fit, and they may from time to time revoke and discharge any such committee, either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers delegated to it, conform to all such regulations as are prescribed for it by the Board. All acts done by any such committee in conformity with such regulations, and in fulfilment of the purposes of their appointment, but not otherwise, shall have the like force and effect as if done by the Board.

Board may appoint committee.

90. The acts of the Board, and of any committees appointed by the Board, shall, notwithstanding any vacancy in the Board or committee, or any defect in the appointment of any director, or of any member of the committee, be as valid as if no such vacancy or defect had existed, and as if every such person had been duly appointed, provided the same be done before the discovery of the defect.

Acts of Board or committee to be valid notwithstanding informal appointments.

91. The meeting and proceedings of such committees shall be governed by the provisions herein contained for regulating the meetings and proceedings of directors, so far as the same are applicable thereto, and are not superseded by the express terms of the appointment of such committees respectively.

Meetings of committees.

92. The directors shall cause minutes to be made in books provided for the purpose of the following matters, viz. :—

Minutes of proceedings of directors to be kept.

1. Of all appointments of officers and committees made by the directors.

2. Of all the names of the directors present at every meeting of directors, and of the members of committees appointed by the Board, present at every meeting of the committee.

3. Of the proceedings of all general meetings.

4. Of the proceedings of all meetings of the directors, and of committees appointed by the Board.

Custody and use of common seal.

93. The directors shall provide for the safe custody of the seal of the company under such regulations as the Board prescribe, and the seal shall not be used except by the authority of a Board, and in the presence of at least two directors.

Deeds how executed.

94. Every deed or other instrument to which the seal is required to be affixed, shall be signed by two directors, and countersigned by the secretary.

Directors specially empowered in certain matters.

95. In their management of the business of the company, the directors, without any further power or authority from the shareholders, may do the following things, viz. :—

(1.) They may enter into, make and conclude, upon such terms as they may deem expedient in the interests of the company, an agreement with the directors or liquidators of the said old bank of Bombay, for the purchase of the good will of the said bank, and as a consideration for such purchase, may allot to the shareholders of the said bank shares in this Company, as contemplated by clause 7 of these Articles.

Acquisition of business premises.

(2.) They may, for carrying on and managing the business of the company, or as part of the said agreement with the said bank, purchase from the said bank the land and buildings belonging to them in Bombay and Kurrachee, on such terms as they may be able to agree upon, or as may be settled by arbitration, and may pay for the same out of the moneys of the Company, and may also for the same purposes hire, rent, or acquire leases of houses or buildings, and on such terms as they may from time to time think advisable, they may pull down, alter, remove, or convert any such houses or buildings, and may erect and build such other houses and buildings in lieu thereof, on any land purchased, hired, or rented as aforesaid; and may from time to time alter or convert any such houses or buildings as aforesaid, in such manner as they may consider necessary or advisable for carrying on the business of the Company. They may fit up and furnish, and insure against loss by fire, all or any of such houses or buildings, and let, or demise, or give possession of the whole, or any part of the same, whether fitted up or furnished, or otherwise, to such person or persons, and on such terms as to tenancy or occupation, as they may consider advisable, with regard to the interests of the Company, and the promotion or carrying on of its business.

(3.) They may also enter into, make, and conclude such arrangements with Government as they may deem proper and necessary for obtaining for the Company their deposit account, and for securing the same to the satisfaction of Government.

Establishment of branch banks, &c.

(4.) They may establish and maintain until the first general meeting, and thereafter with the consent of the shareholders in general meeting, such branch banks and agencies in India, and may make such regulations for their management as the Directors from time to time think proper, and may appoint such local committees, managers, officers, clerks, and servants, with such remuneration, and at such salaries as they consider advisable, and may pay the expenses occasioned thereby out of the funds of the Company, and may from time to time discontinue all or any of such branch banks, agencies, or local committees, and may remove or suspend all or any of the local or other committees, managers, officers, clerks, or servants, for such reasons as they think proper, and without assigning any cause.

Acceptance of bills and promissory notes.

(5.) They may authorise the secretary and treasurer for the time being, and such other officer of the bank as they may deem expedient, to purchase, make, give, accept, indorse, transfer, discount, issue, and negotiate such bills of exchange, promissory notes, or other similar obligations, as they may think desirable for carrying on the business of the Company according to the terms of the Memorandum of Association of the Company, and also to indorse and execute transfers of Government, and other securities standing in the name of the Company, and to receive the interest due thereon.

Payment for acquired property.

(6.) They may pay for the acquisition of any property by these presents specially authorised to be acquired by the Company, either in cash or in shares (to be treated as either wholly or in part paid up), or partly in cash and partly in such shares, or in such other manner as they from time to time deem expedient.

Mortgage and sale of Company's property.

(7.) They may let, mortgage, sell, or otherwise dispose of, either absolutely or conditionally, and in such manner, and upon such terms and conditions in all respects as they think fit, any of the property of the Company acquired in manner aforesaid, and may accept payment or satisfaction for any property so disposed of in fully paid-up shares, or partly in shares and partly in cash, or in such other manner as the directors deem expedient.

Investment of funds.

(8.) They may invest such part of the funds of the Company as shall not be required, to satisfy or provide for immediate demands or the current business of the Company, or as may be necessary to answer the requirements of Government for the security of their said deposit

deposit account, in or upon Government stocks or funds, as they think expedient, and may from time to time vary such securities, and convert the same as occasion requires, or as they deem expedient.

(9.) They may institute, conduct, defend, compromise, refer to abitation, and abandon legal and other proceedings and claims, by and against the Company, and the directors and officers of the Company, and otherwise concerning the affairs of the Company.

Proceedings and claims by and against the Company.

(10.) They may appoint the secretary and treasurer, and fix his rate of remuneration.

96. Every director, secretary and treasurer, auditor, trustee, member of a committee, officer, servant, agent, accountant, or other person, employed in the business of the Company, shall, before entering upon his duties, sign a declaration pledging himself to observe a strict secrecy respecting all transactions of the Company, and the state of accounts with other Companies, firms, or individuals, and in all matters relating thereto, and shall by such declaration pledge himself not to reveal any of the matters which may come to his knowledge in the discharge of his duties, except when required or authorised so to do by the Board, or by any meeting, or by a court of law, and except so far as may be necessary in order to comply with Clause 3 of Article 95 of these presents, or with any of the provisions contained in these presents.

Declaration of secrecy.

97. No person acting as secretary and treasurer, or in any other capacity under him in the service of the bank, shall engage in any other banking, commercial, or other business, either on his own account, or as agent for any other person.

Officers of bank not to engage in other business.

98. No payment on account of the Company shall be made without the order of the Board, except only payments on petty cash account, the amount of which the Board shall from time to time fix and determine.

Payments to be made by order of board, except petty cash.

99. The directors shall cause true accounts to be kept of all sums of money received or expended by the Company, and of the matter in respect of which such receipt or expenditure takes place, and of the credits and liabilities of the Company, and of all other matters necessary for showing the true state and condition of the Company; and the accounts shall be kept in such books and in such manner, and the books of account shall be kept in such place or places of security, as the directors think fit; and shall, if required by Government, or they deem it expedient so to do, make up and publish weekly in the "Bombay Government Gazette," and such other newspapers as they may deem proper, a true statement of the position of the affairs of the bank made up to a date as near to the date of such publication as may be feasible.

Account of receipts and expenditure.

100. Provided, nevertheless, that all costs, charges, and expenses incurred or sustained in or about the establishment of the Company, and subsequent to the registration thereof, including therein the cost of advertising, printing, stationery, furniture, and fittings of offices, expenses attendant upon the formation of agencies and branches, and any other costs, charges, or expenses which the Board consider may be fairly deemed and treated as preliminary, shall be placed to a separate account, to be called "The Preliminary Expenses Account," shall be chargeable on the profits of the Company, and from time to time debited either wholly or in part to the profit and loss account, as the shareholders in general meeting may determine.

Preliminary expenses account.

101. No shareholder, unless he be a director or auditor, or an officer, clerk, accountant, or other person, whose duty requires him to do so, shall be entitled to inspect the books, accounts, documents, or writings of the Company, except such as shall be produced for that purpose at a general meeting; nor shall any shareholder be entitled in equity to a discovery thereof.

Inspection of documents.

102. At every ordinary meeting the directors shall lay before the meeting a statement of accounts, and of the general position of the Company, made up to a date not more than two months before the meeting from the time when the last preceding statement was made; or in case of the first statement, from the commencement of the Company, and every such statement shall be accompanied by a report of the directors, and shall contain a true description of the assets and liabilities of the Company, and of its income and expenditure during the preceding year, and as to the amount which they recommend to be paid out of the profits by way of dividend or bonus to the shareholders, and the amount (if any) which they recommend to be retained for the formation of a reserved fund.

Statement of account and report to be furnished to general meetings.

XIII.—AUDIT.

103. The accounts of the Company shall be from time to time examined, and the correctness of the statements shall be from time to time ascertained by two or more auditors, in accordance with these presents.

Accounts to be audited.

104. No director or officer of the Company shall during his continuance in office, be eligible as an auditor.

Qualification of auditor.

105. The directors shall appoint the first auditors of the Company, for the purpose of making a report to the first ordinary meeting, and those auditors shall retire from office at that meeting.

Appointment and retirement of first auditors.

106. All future auditors, except the Government auditors presently mentioned, shall be appointed

Appointment of auditors.

appointed at the first and subsequent ordinary meetings of the company by the shareholders present thereat, and shall only hold office until the next ordinary meeting in every year after their appointment.

Retiring auditors eligible for re-election. Notice to be given of intention to propose auditors.

107. Retiring auditors shall be eligible for re-election.

108. No person, not being a retiring auditor, shall be eligible to the office of auditor unless notice of an intention to propose him at an ordinary meeting be given at least seven days; and not more than one month, before the meeting, and a copy of every such notice shall be posted up at the office during the five days next before the meeting.

Auditors' remuneration.

109. The remuneration of the auditors shall be determined, and may be from time to time varied, by the shareholders in general meeting.

Directors may fill up casual vacancy in auditorship.

110. If any vacancy which may occur in the office of auditor at any ordinary meeting shall not be then supplied, or if any casual vacancy shall occur, the directors shall, subject to the approval of the next ordinary meeting, fill up the vacancy by the appointment of a person, who shall hold office until the next ordinary meeting.

Auditors to have copies of statement of account.

111. The auditors shall be supplied with copies of the statement of accounts intended to be laid before the meeting, and it shall be their duty to examine the same with the accounts and vouchers relating thereto; and they shall have access to all books, documents, vouchers, and securities of the company.

112. If Government shall so require, as affording further security to them as to their deposit account before mentioned, it shall be lawful for the Governor in Council of Bombay from time to time to appoint one or more persons to act as auditors of the accounts of the company, in addition to the auditors before named, and the persons so nominated shall be called the Government auditors, and they shall not be subject to any of the rules before mentioned as to the appointment of auditors by the company. The said Government auditors shall be entitled to see the books of account, documents, vouchers, cash, and securities of or held by the bank, and to make reports from time to time to Government thereon.

XIV.—DIVIDENDS, BONUS, AND RESERVE FUND.

Declaration of dividend or bonus.

113. The directors may, with the sanction of the company at the yearly general meeting, declare a dividend or bonus out of the net profits of the company, to be paid to the shareholders in proportion to their shares, and may at the termination of the first six months of the then current year, and without such sanction, declare and pay out of the accrued net profits of the bank, an *ad interim* dividend for the said period, calculated at such a rate of interest as its profits may permit, not exceeding in any case five per cent. per annum. Provided always, that the dividends so to be declared and paid shall not exceed the rate of 10 per cent. per annum, until the reserve fund of the company shall amount to 20 per cent. on the paid-up capital of the company for the time being.

Reserve fund.

114. The directors shall, before recommending any dividend or bonus, set aside out of the profits of the company such a sum as they think proper as a reserved fund, and may invest the same upon such Government securities as they think fit, but the amount to be so set aside shall be subject to the opinion of the shareholders in general meeting.

Application of reserved fund.

115. The directors may from time to time apply such portion as they think fit of the reserved fund to meet contingencies, or for equalising dividends, or for repairing or maintaining the buildings and premises connected with the business of the company, or any part thereof, or for any other purposes of the company which they from time to time deem expedient.

Unpaid interest or dividend not to bear interest.

116. No unpaid interest or dividend shall ever bear interest as against the company.

Directors may deduct money due for calls.

117. The directors may deduct from the interest or dividends payable to any shareholder all sums of money due from him to the company on account of calls.

Notice to be given of interest and dividends.

118. Notices of all interest or dividend that is payable shall be given to each shareholder entitled thereto; and all interest or dividend unclaimed for five years after notice thereof is given may be forfeited by the directors for the benefit of the company, and, if the directors think fit, may be applied in augmentation of the reserved fund.

Dividends unclaimed for three years to be forfeited.

XV.—LOSS OF CAPITAL.

When reserve fund exhausted, extraordinary general meeting to be called.

119. If at any time the directors find that the losses of the company have exhausted the reserved fund, and also one-half of the paid-up capital, they shall forthwith call an extraordinary general meeting, and submit to it a full statement of the affairs of the company.

XVI.—NOTICES.

Services of notices.

120. All notices or other documents requiring to be served by the company upon the shareholders may be served either personally, or by leaving the same for or sending them through the post in a letter addressed to the shareholders at their registered places of abode, and every notice sent through the post shall be deemed to have been served at the time on which, in the usual course of post, it would have been delivered.

121. All notices to be given on the part of the shareholders shall be left at the registered office of the company, or sent through the post.

Notices by shareholders to be sent through the post. Advertisements.

122. All notices required to be given by advertisement shall be advertised in the "Bombay Government Gazette," and in at least one English and one native newspaper having a daily issue in Bombay.

123. Every person who, by operation of law, transfer, or other means whatsoever, shall become entitled to any share, shall be bound by any and every notice or other document which, previous to his name and address being entered upon the register in respect of the share, is given to the person from whom he derives his title.

Shareholders bound by notices, &c. given to previous holders.

124. When any notice or document is delivered or sent in accordance with these presents at or to the registered place of abode of a shareholder, then, notwithstanding he be then deceased, and whether or not the company have notice of his decease, such service of the notice or other document shall for all purposes of these presents be deemed service thereof on his heirs, executors, administrators, and every of them.

Service of notices good, notwithstanding death of shareholder.

XVII.—EVIDENCE.

125. On the trial or hearing of any action or suit to be brought by the company against any shareholder to recover any debt due for any call, it shall be sufficient to prove that the name of the defendant is on the register of shareholders of the company as a holder of the number of shares in respect of which such debt accrued, and that notice of such call was duly given to the defendant in pursuance of these articles; and it shall not be necessary to prove the appointment of the directors who made such call, nor that a quorum of directors was present at the board at which such call was made, nor that the meeting at which such call was made was duly convened or constituted, nor any other matter whatsoever; but the proof of the matters aforesaid shall be conclusive evidence of the debt.

Evidence in action or suit for calls.

Dated at Bombay, the day of 1867.
Witness to the signatures of

(No. 16.—Government of India.—Financial Department.—Accounts.)

To the Right Honourable the Secretary of State for India.

Sir,

Fort William, 22 January 1868.

WE have the honour to forward copies of the papers specified in the subjoined list, regarding the Bank of Bombay, from which you will observe that we have authorised the Government of Bombay to advance 25 lakhs from the General Treasury Balances, in the old Bank of Bombay to pay the depositors, and to open an account with the new bank with a deposit of 25 lakhs, being the minimum balance under the agreement with the old bank.

We append a minute of our colleague, the Honourable Sir H. M. Durand, dissenting from the above decision, which in the absence of our honourable colleague was adopted under the pressure of a request for a reply by telegraph, and with reference to the urgency of the case.

As the remaining members of council had no hesitation as to the expediency of the arrangements above detailed, we have not thought it necessary to re-open the question, in consequence of Sir H. M. Durand's dissent.

We have, &c.
(signed) *John Lawrence.*
W. R. Mansfield.
G. N. Taylor.
W. N. Massey.
H. M. Dui and.
W. Muir.

LIST OF PAPERS.

Copy of a Letter from the Government of Bombay, No. 1579, dated 27th December 1867, with Enclosures.*

* Already printed, see pp. 194 to 200.

Copy of a Telegram to the Government of Bombay, dated 3rd January 1868.†

Minute by the Honourable Sir H. M. Durand, dated 11th January 1868, with Postscript, dated 13th January 1868. - - - - - p. 216.

† Ditto, see p. 200.

MINUTE by Major General the Honourable Sir *H. M. Durand*.

I FIND it impossible to concur with the action taken in the Financial Department upon the reference from the Bombay Government, dated the 27th December 1867, with regard to the measures deemed necessary by that Government for avoiding suspension of payment on the part of the old bank, and for floating the new bank.

Bearing in mind the importance of the question, I regret extremely that the telegram of the Financial Department, dated the 3rd January 1868, was despatched without the previous circulation of the fore-mentioned despatch with its enclosures. I cannot but think that a more deliberate consideration of the proposals of the Bombay Government might have led to a safer course being adopted than that to which the Government of India has, in my opinion, somewhat precipitately committed itself.

If I understand these papers rightly, the position in which Government has placed itself by the telegram of the 3rd January, is that it sanctions the following concessions:—

- 1st. To lock up in the old Bank of Bombay 25 lakhs of rupees.
- 2nd. To advance the new bank 25 lakhs of rupees.
- 3rd. To subscribe to the new Bank of Bombay 100 shares of 500 rupees each, or another half lakh of rupees, and to increase the subscription to 1,200 shares hereafter, making a total of six lakhs on this account.
- 4th. Loss of capital on old bank, 12½ lakhs of rupees.

Or a total of 68½ lakhs of rupees, say 680,000 *L*.

This is done partly in consequence of the threat of suspension of payment of the old bank, and partly from the desire to float the new Bank of Bombay in preference to permitting the Bank of Bengal to establish a branch at Bombay; and it is done notwithstanding that the Government of India is pledged by the official despatch, No. 1584, of 18th May 1867, not to entrust the public balances to the new bank before the capital of the new bank is paid up.

With regard to the threat of suspension of payment, it was a similar threat held out to the Government of India on 15th June 1865, which induced the Government of India to leave it to the discretion of Sir Bartle Frere to advance, if necessary, 150 lakhs from the currency reserve; and which at a later period committed the Government to guarantee the depositors of the Bank of Bombay. What the results of these entanglements have been, it is hardly necessary for me to dwell upon. They are but too notorious, yet the experience to be derived from them does not seem sufficient to deter the Government of India from again entering into relations with the new Bank of Bombay of a character to give birth to a luxurious crop of future embarrassments and entanglements.

I cannot but think that the papers to which the Bombay financial letter, No. 1518, of 14th December 1867, gives cover would have warranted some hesitation on the part of this Government before it hastily endorsed the decision of the Governor of Bombay, to prefer the speculative enterprise of endeavouring to float into existence a new bank which manifestly fails to enjoy the confidence of the public, rather than to allow the Bank of Bengal, in whom the public reposes entire confidence, to establish a branch at Bombay. The real interest of that great commercial centre are thus practically sacrificed in opposition to the wishes of the more prudent and solid classes of the community at Bombay, and in blind deference to the agitation of a few who, after the boldest assertions to the contrary, are forced at last to confess that the fate of the project depends, not on that which can alone afford a secure foundation for such an institution, namely, adequate capital and the confidence of the public, but on the new bank being vamped up by the support and countenance of that Government which, in the face of the scandalous loss of upwards of two and a half millions, by the mismanagement of the old bank, is expected to plunge into analogous risks and liabilities, in order to prevent the new bank from a collapse in embryo. Being myself an advocate for Government being a shareholder in this country in the banks to which it entrusts its public balances, I pen these remarks free from any bias against Government thus associating itself with establishments of substantial capital and credit. But it is one thing for Government to afford reasonable support and countenance to a soundly constituted bank, and another, and a very different thing, for a government to undertake quixotically and at the expense of its own capital and credit, and without any prior guarantee whatever of better management in future, to resuscitate from the ashes of the gigantic failure of the old a new bank in which the public can see no safety for their deposits, unless they have what they consider the practical guarantee of the Government.

I think that before committing the credit and the resources of Government to the future contingencies inseparable from the course thus adopted, it was open to the Government of India, as the present agreement with the Bank of Bombay does not I think, expire until March next, to have again referred to the Secretary of State, and having placed before him the avowed state of affairs at Bombay, to have recommended the withdrawal of his restriction against the Bank of Bengal establishing a branch at Bombay, in supersession of the defunct Bombay Bank, and in remedy of the failure of the attempted reconstruction of the new bank. It might have been pointed out to the Secretary of State, that in the one case, in spite of the most dire experience, Government would have to lock up treasure, and incur positive and incidental obligations that may at any time prove both detrimental and dangerous, whilst in the other it incurred no new risks, and subjected its resources to no exceptional and objectionable conditions. If, in the face of facts such as are proved by the papers to which I have referred in this minute, the Secretary of State saw no reason to
withdraw

withdraw his restriction, the Government of India would at any rate have been free from any responsibility for a measure in which I fail to perceive any single element of sound financial prudence or foresight, and which casts to the winds the bitter experience of the last two years.

The more I look into what is stated as to the assets and liabilities of the existing but moribund Bank of Bombay, and as to the securities it is to transfer to its successor, the stronger reason do I find for insisting that the capital of the new bank be paid up before the Government make over to its charge more of the public funds. That capital is, in my opinion, much too small for a bank aiming at meeting the requirements of the important business of Bombay; but small as it is, we ought to have the security that it is *bonâ fide* paid up, and that the bank does not commence business mainly on our large cash balances.

There is one feature in the scheme which demands attention. It is not clear that, legally, Government will have an indubitable preferential right to the assets, at best I admit of very doubtful value, which the old bank makes over to Government in security for the advance made to it; nor is the value of those assets, estimated at 30,56,669 rupees, very reliable. Moreover, in the statement of the bank's liabilities, no allowance is made for the liability to calls on shares in Commercial Bank of India, Asiatic Bank, and other companies. In 1866 the contingent liabilities for calls on shares held by the bank, were estimated at 30,75,200 rupees. It does not appear how much of that liability has been discharged, but it is known that some of these banks have called for payments on shares under the pressure of present exigencies. How are such demands to be met in this arrangement which ignores them in account?

At a juncture when the aspect of affairs, in the mercantile and in the financial world, is so critical, it is, to my mind, matter for very deep regret that one of our great centres of commerce should have been deprived of the aid which, at the urgent request of the Bombay Bank Directors, the Bengal Bank Directors were prepared liberally to extend. But it is still more a matter of regret that, when the opportunity presented itself for advising a reconsideration of the subject, in consequence of the palpably unsound character of the proposals of the Bombay Government and of the new bank advocates, the telegram of the 3rd January hastily committed the Government of India to the approval of a scheme and conditions fraught with the most serious objections, and exposing the Government to an early repetition of all those difficulties which arose from the necessities of the mismanaged Bank of Bombay. I regret it the more as, at the time of such an expedition as that to Abyssinia, it was, from every point of view, advisable that, in the place of a new bank hardly organised and which has failed signally in securing public confidence, Government might have derived very great advantage from a bank well established in the confidence of the public and of the Government; and upon which, in fact, the Government has had to rely for the efficient and economical meeting of its various financial requirements, whether it were treasure for the expedition, or the means of floating the new and liquidating the old bank. Just when we want a reliable bank at Bombay, we prefer one which can as yet advance no claim to being anything more than one struggling into existence under Government nursing, Government in fact deriving the means to do this from the circumstance of having had upwards (I believe) of two millions sterling laid down in Bombay, during the last six months, by the agency of the bank whose agent it paralyzes at Bombay, and whose business transactions with the Bombay Presidency it has hampered for the protracted period, a very long one, during which the Bank of Bombay has ceased to do anything but occupy the most anomalous position that a bank has ever held, devoid alike of all credit and vitality, yet permitted not only itself to exclude, but also to transmit to its ricketty off-spring, the right of barring the action of the sound bank, whose resources have more than once been applied, but sadly in vain, to save the Bank of Bombay at times of extreme peril.

Calcutta, 11 January 1868.

H. M. Durand.

P.S.—Since writing the above Minute, I am confirmed in the opinion therein expressed, that a reference to the Secretary of State was preferable to the course pursued; for Sir S. Northcote, in his Financial Despatch, No. 368, of the 24th October 1867, states distinctly:—

"10. It will be obvious that, as the Government will not take shares in the new bank, I could not, in fairness to the community of Bombay, allow the Bank of Bengal, in which Government is a shareholder, to establish a branch at Bombay."

Now that the Bombay Government has been driven to make the concession of Government connexion with the new Bank of Bombay, Limited, as a shareholder, it is manifest that the consideration which led the Secretary of State to object to the establishment of a branch of the Bank of Bengal at Bombay has ceased to exist, or to be operative; and that, if matters had been, or were even now, fully and candidly laid before him, the Secretary of State would remove a restriction imposed upon grounds which are now non-existent. Whatever the validity of the reason assigned for consenting to the views of the Bombay Government, that Government has itself destroyed the condition which influenced the Secretary of State, at the close of October 1867, to exclude the sound Bank of Bengal in favour of an experimental institution as successor to the old Bank of Bombay.

Calcutta, 13 January 1868.

H. M. D.

(No. 19 of 1868.—Government of India—Financial Department.)

Expenditure.—Administration and Public Departments.

To the Right Honourable the Secretary of State for India.

Sir,

Fort William, 23 January 1868.

WE have the honour to forward to you the papers noted in the annexed list, from which you will perceive that, subject to your approval, we have sanctioned the temporary appointment of a Government Inspector for the new Bank of Bombay.

We have &c.

(signed) *John Lawrence.*
W. R. Mansfield.
G. N. Taylor.
W. N. Massey.
H. M. Durand.
W. Muir.

LIST OF PAPERS.

Telegram from Government of Bombay, dated 7th January 1868.

Telegram to Government of Bombay, dated 9th January 1868, No. 227.

* Already printed,
 vide pages 202 to 215.

* Letter from Government of Bombay, No. 45, dated 11th January 1868, and Enclosure.
 Letter to Government of Bombay, No. 532, of this date.

TELEGRAM.

From Bombay to Calcutta.

From Chief Secretary to Government to Financial Secretary.

As the new Bank of Bombay will open for business on the 13th, it will be necessary that an inspector should be appointed on behalf of Government, unless his Excellency the Viceroy should come to another decision. His Excellency the Governor has no doubt that the Secretary of State adheres to his former opinion as to the policy of Government appointing directors. From an oversight, his Excellency did not receive a copy of the Secretary of State's financial letter, No. 268, dated 24th October 1867, addressed to his Excellency the Viceroy, in which it appears that he contemplates that the appointment of Inspector should be made by his Excellency the Viceroy. By the registered articles of Association, it is provided that the books and documents of the bank should be open to the inspection of an officer appointed by the Government of Bombay. His Excellency therefore proposes, as a temporary measure, to appoint an officer for the purpose, pending further instructions.

7 January 1868.

(No. 227.)

Government of India.—Fort William.

Financial Department, 9th January 1868.

SERVICE TELEGRAM.

From Calcutta,
 From Financial Secretary,

To Bombay.
 To Chief Secretary to Government.

THOUGH the Viceroy prefers the system of Government Directors, his Excellency assents to the appointment of an Inspector, as a temporary measure. In the meanwhile, his Excellency has referred the question for the decision of the Secretary of State.

(signed) *E. H. Lushington,*
 Secretary to the Government of India.

(Financial Department.—No. 532.)

To the Secretary to the Government of Bombay.

Sir,

In reply to your letter, No. 45, dated 11th instant, I am directed to inform you that the Governor General in Council is pleased to sanction the temporary appointment of an Inspector for the new Bank of Bombay, pending a reference to the Secretary, of State on the question as to the mode in which control is to be exercised over the new bank. If a permanent Inspector is required, he will be appointed and paid in conformity with the orders of the Secretary of State.

Fort William,
23 January 1868.

I have, &c.
(signed) *E. H. Lushington*,
Secretary to the Government of India.

S. P. Low, Esq., to the Under Secretary of State for India.

Sir,

55, Parliament-street, 2 March 1868.

I HAVE the honour, by desire of the committee of English shareholders of the Bank of Bombay, to forward the enclosed Memorial for presentation to the Secretary of State for India in Council. I am directed to add, that other signatures are expected, which shall be forwarded to you as soon as received by me, but the committee believing that Sir Stafford Northcote has the subject of the bank failure under consideration, do not consider themselves justified in detaining the Memorial longer.

I have, &c.
(signed) *S. P. Low*,
Honorary Secretary.

To the Right Honourable the Secretary of State for India in Council.

The Memorial of the undersigned Shareholders of the Bank of Bombay,

Most respectfully sheweth,

1. THAT your memorialists are shareholders of the Bank of Bombay under its original Act of Incorporation of 1840, and that this bank is now virtually ruined. Its shares, issued at a thousand rupees each, were, by the last advices from India, at 92½ per cent. discount, with no purchasers. It has entirely ceased to pay any dividend. Out of its capital stock of two crores and nine lacs of rupees, or 2,090,000 £ sterling, it has lost almost 2,000,000 £; and it is further said to be liable for calls in respect of shares in other companies on which it has lent money, and of which it has taken assignments, in violation, as your memorialists will subsequently show, of its original Act of Incorporation, and also of the Act re-constituting it in the year 1863.

2. Had your memorialists invested their money in shares of any of the ordinary joint-stock banks with a similar result, they would not have thought of troubling you upon the subject. Whatever the law would have done for them they would have been content to put up with, laying the blame, as regards the rest, on their own want of caution. But in this case the investment in shares in a Government bank, and the chief inducement to make the investment, was the perfect security, which as such, it appeared to hold out to them. For the bank was a bank established by the Government; the money subscribed for its shares was paid in the first instance to the sub-treasurer of the Government; the Government itself took 300 shares in it, and so became unlimitedly liable for it; and restrictions were introduced in the Act of its incorporation as to the kinds of business which only it was to be engaged in that entirely precluded (if they were but observed) its being engaged in any of at all an unsafe or speculative character. The Government further provided in the Act for the retention in its own hands of a third of the seats in the Board of Direction, though it subscribed little more than an eighteenth of the capital, and from other provisions in the Act as to the Directors' Board sittings and the number to form a quorum, it insured that on every Board day one of the three directors constituting the quorum might always be a Government one. Then, too, the directors so nominated to act for it were not selected from the shareholders, but were usually its three highest officers in the financial department, as the Accountant-General, the Financial Secretary to Government, and the Chief Commissioner of Customs at the Presidency, who thus became saddled with all the responsibility of trustees on behalf of the shareholders; thereby offering the most effectual guarantee against either fraud or mismanagement that it was possible to imagine.

3. Nor did the powers of the Government over the bank stop here. It further reserved to itself an absolute and perpetual power of inspection and control over all the bank's pro-

ceedings, even of the most secret kind, by a clause inserted in the Act, not only requiring the Government to be furnished half-yearly with abstracts of its accounts, showing its actual condition at the period, but also empowering it at all times to call upon the bank to produce for its inspection every document it might require. And by the fact of such a clause being inserted by it in this Act, it held out to the investing public that it would faithfully perform this duty of inspection and control. Need it be added that the entire legislative, as well as executive authority in India being vested absolutely in the Government, it had the power to step in and put a stop on the instant to any attempted wrongdoing on the part of the other bank directors; and as co-trustees, through its appointed officers on behalf of the shareholders, it was its bounden duty, if occasion arose, to exercise such power.

4. Under such a constitution it was obviously impossible that any serious risk of one's capital could be incurred by becoming a shareholder in the bank, unless the provisions of the Act of Incorporation should be deliberately violated. And it is equally clear that those provisions could not be violated without the knowledge and connivance of the three official directors appointed by the Government; while it must be also evident that for such violation to be successful it must further take place with the knowledge of the Bombay Government itself, unless the latter wholly neglected to perform the duty of inspection and control which was cast on it by the Act of Incorporation.

5. In addition to all these strong safeguards, there were other points connected with the Bank of Bombay which were calculated to give the greatest confidence to the shareholders; for it was authorised to become a bank of issue to the extent of two crores of rupees or two million sterling; it transacted all the Government business; and it was the bank in which were deposited all such moneys as are here for especial security deposited in the Bank of England. It was, in fact, to Bombay what the Bank of England is to England, with this difference, that though the Bank of England does all the Government business, the Government itself is not a shareholder in it, nor has the Treasury the nomination of a third of its direction, or any direct or special power over it of inspection and control.

6. It will not be wondered at if, under the circumstances above stated, the capital stock of the Bank of Bombay became a favourite mode of investment with all who, looking to the safety of the investment above everything, are here in the habit of investing in the Government Funds, East India Stock, or the capital stock of the Bank of England; such, for instance, as persons who had retired, or were about retiring from India, and wanted a secure means of insuring a future provision from their savings, officers of the army, navy, and civil service in Western India, holders of moneys not their own, trustees of family settlements, and so forth. Indeed, so wholly unimpeachable had this investment always been considered, that the laying out of trust-money in Bank of Bombay stock had, in the case *In re Iredell*, been approved of by the Master of the Rolls, a fact which, considering the extreme caution always shown by our Courts of Equity in their decisions as to the investment of trust-money, must be looked on as most significant.

7. It will be obvious that the ruin of a bank like this involves no common ruin; it brings within its vortex classes the most helpless, and who have been at all times held most deserving of the State's support and protection, and heart rending are the tales which your memorialists could narrate as to this point.

8. The best possible proof that your memorialists have not at all overstated the case as between the shareholders and the Government in the above paragraphs, will be found in passages of minutes by members of the Supreme Council of India, reported in an article of the "Times of India," of the 23rd August last, and copied in the "Homeward Mail" of the 30th September following.

9. The question at issue in the Council seems to have been that of the advisability, or otherwise, of continuing the existing connection between the Government Banks of Bengal, Madras, and Bombay, and the Government, and the Honourable Mr. Massey is reported to have minuted to the effect following. He points out, it is said, that the Government is specially represented at the Board of management, and that the presence of the Government nominees on the direction is regarded by the general body of shareholders and customers of the bank not only as a guarantee that its business will be properly conducted, but as an assurance of its stability. He maintains, that a bank so constituted is virtually a guaranteed bank, and that thus the Government becomes responsible for the solvency of the institution.

10. The arguments stated to have been urged on the other side by Sir William Mansfield, point quite as conclusively to the Government's means of control over those banks, and to the absolute power it possesses through the Government directors, of preventing anything going wrong. The words attributed to him are, "The system answered admirably with all these banks till the unfortunate years 1864 and 1865, in Bombay. Yet of the disaster there it might be said that it proved nothing, except that in unexampled times the official directors who then occupied the post forgot common prudence and proved themselves unequal to their position." And again, "It was understood by the Council to be a simple matter of fact, that the secretaries or managers of those banks would be in difficult times unable to stem the importunities of the commercial directors, were it not for the support afforded them by the official directors, who are assumed to be unconnected with trade,

trade, uninfluenced by speculation, and thoroughly acquainted with the true theory of sound banking." And again, "Would not a severance of the Government connection and the quasi-State guarantee be inequitable to the present shareholders who had subscribed their capital on the understanding that the Government was a shareholder?" And again, "No system of inspection or audit would or could compensate for the loss of the direction."

11. Your memorialists think that it would be impossible to find language that would express more accurately the true relation of the Government to the bank, and to the other shareholders in it, than that contained in the above reported minutes. In them it is plainly admitted that the real safeguard in the eyes of the shareholders, and on the faith of which they took their shares, was the close connection between the Government and the bank, and the absolute power of control it possessed over the acts of the commercial directors of the bank through the official directors, men assumed to be unconnected with trade, and uninfluenced by speculation, and thoroughly acquainted with the true theory of banking. On these grounds it would seem Sir William Mansfield does not hesitate to lay the entire blame of the disaster which has befallen the Bank of Bombay on the official directors of the period; and no one, your memorialists submit, who knows anything of the matter, will fail to agree with him. Because, however greatly the commercial directors may have abused and (as your memorialists will show) overstepped their powers, they really could have done nothing but for the entire neglect of their duty and betrayal of their trust by the official directors nominated by the Bombay Government. And as, under section 25 of Act of 1863, the Government of Bombay had to be furnished half-yearly with a statement of the balance at the bank, showing generally how the same was arrived at, it is impossible that that Government, if it performed the duty that was cast on it by the Act of Incorporation, could have failed to know the kind of business the bank was transacting.

12. It appears to your memorialists that if the case were to rest here, enough would have been done to establish the strongest moral claim on the Government; for however it might be in law, it surely would be but right *in foro conscientie* that the Government should not saddle the shareholders with losses which Mr. Massey seems to consider in his Minutes the Government had virtually guaranteed them against, and which Sir William Mansfield in his Minute directly ascribes to the directors appointed by the Government.

13. Strong, however, and indeed incontrovertible as may be their moral claim in respect of these losses upon the Government, the legal obligation, as your memorialists submit, is even stronger, if possible. They know, of course, that the most absolute legal obligation may exist to do a thing, and yet from the peculiar circumstances of the case such obligation may be very difficult, if not impossible, of enforcement, and they do not blind themselves to the difficulties in this case. Without going into this question, however, they feel confident that if they shall establish such a case as would undoubtedly render the governing body of a bank liable to the shareholders in a Court of Equity in England, the Government of her Majesty will not seek to take advantage of any technical obstacles that may lie in the way of the shareholders enforcing their rights, but will honourably accept the responsibilities of the position into which its officers have brought it, and as honourably discharge the liabilities which those responsibilities impose upon it.

14. Your memorialists will proceed accordingly to examine as to how the matter stands as to the question of legal liability, and, in doing so, they will carefully abstain from endeavouring to strain any point beyond its legitimate limits. Their object will be throughout to state the facts precisely as they are, and as both to yourself and the Council they must be well known to be, and to state the law as applicable to the case in a manner equally unassailable.

15. In the first place then, it is perfectly clear, as your memorialists submit, that in matters of this sort there is no divided responsibility. If the directors are liable at all to make good the losses in question, or any part of them, they are all equally so; and what cannot be recovered on behalf of the shareholders from the commercial directors is, of course, a debt to them from the Government directors, or, in other words, from the Government, whose *locum tenentes* they were at the Board, being neither elected nor removable by nor in any way amenable to the other shareholders. They stood in the same relation precisely to the Government of Bombay as the Secretary to the Treasury, the Accountant General and the Chairman of the Board of Inland Revenue stand to the Government of England. And their presence at the Board of Direction was accepted by the shareholders as a guarantee of the business being honestly and legitimately conducted, in precisely the same manner as the presence of those three high officials would be accepted by the shareholders of a bank in which the Government were part proprietors in England. For a Government deliberately to accept such a trust, to neglect or violate all the legal obligation of it, and then to repudiate the liabilities entailed on it in consequence, would certainly be a thing unparalleled in the history of this country.

16. This being so, it is obvious that the only ground on which the Government could repudiate a legal, as well as moral responsibility in respect of those losses, would be the ground which has already been taken it would seem by the Government of Bombay; the ground, namely, that however badly the directors may have acted in relation to loans of the bank's money, they have managed to keep within the four corners of their Act of Incorporation, and so for the results neither they nor the Government are in any way liable.

17. It is not at all alleged, as your memorialists understand, that the directors, in making the loans which have been the occasion of the bank's ruin, have acted either in the spirit of their Act, or in any way according to the intention of the framers of it; but it is asserted that a clause that crept into the Act in drafting it—no one seems precisely to know how—and which has since been repealed, will, at any rate, cover what the directors profess to have done under it.

18. If this were so, it could only relieve the Government of its legal liability at the cost of a very great enhancement of its moral responsibility; for it was the Government itself that had the drawing of the Act, the introduction of it, and the carriage of it throughout, and therefore the Government alone could be to blame for any extreme act of negligence of this sort, and its consequences. But more than this, it was the Government, through its three official directors, that had to see to the Act's proper administration; and as it had the absolute legislative, as well as executive authority in its hands, it had the power to step in on the instant and amend the Act, as soon as it perceived the uses the clause was being turned to.

19. Your memorialists submit, however, that allowing to the directors all the benefit they can possibly derive from this chance insertion of the clause referred to, such defence must wholly fail them; and that in setting it up they have omitted to take into consideration some very important points as affecting the question. The first of these is, that Acts of the Legislature are not to be interpreted according to people's interests or fancies; but that they are subject to rules of construction as binding as any part of the law itself is. And the second, that besides keeping within the four corners of their special law of incorporation, the directors were also bound to keep within the general law as applicable to all in their situation; and this, as will be seen in the sequel, they have wholly failed to do.

20. Your memorialists submit that as regards the former of these points, the construction of Acts of the Legislature, it is well settled that regard is to be had to the obvious intention of the Legislature, and that where, of two interpretations, the one is entirely consistent with the objects contemplated by the Act, and the other wholly repugnant to, and destructive of them, it is to be presumed that the former is the interpretation, and not the latter. And it is further to be observed under this head that no mere constructive authority derived from the slovenly wording of an Act of the Legislature can be taken to over-ride the plain and well-established rules of morals and of law, or to give any sanction to what the law calls fraud. "It may be laid down as a general rule (says the learned author of Bacon's Abridgement) that, without the express provisions of any Act of Parliament, all deceitful practices in defrauding or endeavouring to defraud another of his known right by means of some artful device, contrary to the rules of common honesty, are condemned by the Common Law."

21. Your memorialists would particularly beg to invite your attention to this point, because when they come to the question as to how this clause in the Act of 1863 is to be interpreted, it will go a great way towards settling that question, by showing how it certainly cannot be construed. It will be seen that it cannot in any case be construed in such a sense as would not only be inconsistent with, but destructive of the objects of the Act, by giving any authority to do what in other parts of the Act is most expressly forbidden; and that it cannot be construed in such a way either as would afford the slightest sanction to what the law calls fraud.

22. Your memorialists submit that as regards the second point, which the directors seem also to have overlooked, namely, the general law, as applicable to all persons in their situation, it may be as well to enumerate some of the more prominent requirements of it, as equally facilitating a speedy arrival at a right conclusion, when their conduct comes to be stated, and the question arises as to how far it was or was not within those requirements.

23. As regards the general law then applicable equally to all directors, they are trustees for the shareholders, and are bound, as such, in all things to observe good faith towards them; to attend diligently to their interests, to pursue the trust imposed on them precisely according to the intent of the makers of it, and to act strictly within the limits of the authority conferred on them by their Act of Incorporation or their deed of settlement.

24. Directors are also prohibited by law from benefiting themselves or their friends or their partners in business at the expense of the shareholders, or from favouring one set of shareholders at the expense of another. They cannot vote themselves loans from the company, or enter into any contract with it on their own account, or allow any course of management whereby any profit can be derived to one of themselves from the operations of the company; and it is precisely the same, as far as consequences are concerned, whether this be directly or indirectly done.

25. In cases in which the private interest of directors conflicts with their public duty to the company, they are bound to perform their public duty at the expense of their private interests. They are not allowed to employ the money of the company for any other objects than those contemplated in their Act or deed of settlement; and thus, where a company had been established as a discount company for the borrowing and lending money, and making advances on and investments in securities, without any expressed restriction as to the kind of securities to be advanced on or invested in, and the directors, with a view to assisting a bank, lent the money on shares in it which they afterwards took an assignment of,

of, and the bank failed, it was held that the directors had gone beyond their powers, and that they were personally liable. And, indeed, in all cases where the directors exceed their powers, and appropriate the funds of a company in a manner not authorised by their Act of Incorporation, Articles of Association, or Deed of Settlement (as they will be shown to have done in this case), they are bound to make good the full amount of money so misappropriated out of their own pockets.

26. Directors will similarly be liable to make good losses themselves where the deed of settlement sanctions the opening of cash credits, and they afterwards make advances under them without any security in the sense of the deed.

27. And while all directors are bound by the acceptance of the trust to execute it with fidelity and reasonable diligence, it is no excuse to say that it was merely honorary, and that they received no benefit from it; and even when they have done no wrong themselves, yet if they have stood by, permitting others' wrong doing and not making use of the powers invested in them by their charter or Act of Incorporation for putting a stop to it, they are, with the actual wrong doers, amenable for the results. Where, for instance, the committee-men of a company allowed certain of their fellow committee-men to borrow money from the company on pledges which they the borrowers themselves valued to the company, and loss ensued from it, the committee-men who permitted this were held to have been guilty of such a notorious fraud, or at least such gross inattention in suffering it, that they were ordered in common with the actual borrowers to make good the loss.

28. It would appear from Sir William Mansfield's Minute above referred to, that the Government directors of all the Government banks of India were under a further special obligation not to be mixed up in speculation or engaged in trade; the object of their being placed upon the Board of Directors being to act as a check upon the commercial directors who might not be altogether free from influences of that kind. However, as to this point, it is not the intention of your memorialists further to rely on it than to this extent, that it may be taken that if the Government directors openly violated this duty, the disregard which they have shown to their other duties is so much the less likely to have arisen from inadvertence, and is therefore all the less without excuse of any kind. And more especially must it so be taken, if in addition to their becoming mixed up in the speculations which led to the bank's ruin, they accepted money favours from the directors and promoters of those speculations, in loans to whom, or on the shares of whose companies, the great bulk of the bank's money has been lost. That they did so is a matter of common report in Indian circles, and has already probably reached the ears of your Council, if not of yourself. By the very shares through loans on which they were parties to the bank being ruined, they are stated to have made (or some of them) such fortunes as they never could have acquired by their savings from their official salaries. Between a direct bribe and the allotment of shares at par, which have been run up to such a premium as to enable the allottee to put on the instant an enormous sum as difference into his pocket, your memorialists are unable to perceive the smallest distinction; and in this way immense douceurs are stated to have been given to the Government directors by the promoters and directors of the notorious Bombay Reclamation or Back Bay Company, of whose worthless paper the bank is said to hold a million.

29. It must be perfectly obvious to yourself and the Council that when men of business put such sums as these into the pockets of high public officials having the command of such resources as those of the Bank of Bombay were, they generally intend to succeed in having the worth of their money; and in the then state of things at Bombay, the connivance of the Government bank directors at what the other directors were doing, was worth ten times the amount that seems thus to have been paid for it. For as the value of every share in a company would naturally be estimated by the public according to the rate at which an advance could be obtained on it at the Government Bank representing what here would be the Bank of England, the loan of money on such shares at all, and especially as in the case of the Bombay Reclamation or Back Bay shares, of five or six times the amount paid up on them, would necessarily create such an enormous rise in the value of every other such share, as to enable the promoters and directors of those companies to make almost fabulous fortunes, if they had not been in many instances lost again in share gambling of a similar character. In the end, of course, the several bubbles burst, and the shares in them thus lent on were left in the hands of the Bank of Bombay to the extent, it is said, of nearly a couple of millions sterling.

30. In order to estimate fully the effect of so gross a breach of duty on the part of the official directors of the Bank of Bombay at the period, one must understand the extent to which the commercial directors of the bank were mixed up with the companies, through loans to whose promoters and directors, and on their shares, the bank has been ruined. Your memorialists will therefore submit what they have been enabled to gather from the Bombay calendars on the subject, but in doing so would observe that they have omitted all notice of insurance companies, which seem to have been very numerous, as well, probably, as a great many more companies of other kinds, which are not to be found in the calendars of the period; and of course, too, it may be taken as subject to some errors.

31. Taking the lists so given as a guide, your memorialists find that the directors of the Bank of Bombay, from the time of the alteration of the Act to that of these losses being incurred, were interested as well as one can make out in other companies, as follows: One

of them, besides being a director of the Bank of Bombay, was the chairman of the Victoria Land and Press Company, the chairman of the Scott Press Company, director of the Mofussil Cotton Press Company, director of the Bombay Landing and Shipping Company, partner in business with a director of the Frere Press Company, partner in business with a director of the Elphinstone Land and Press Company, director of the Goa Coffee Company, director of the Western India Hotel Company, director of the Port Canning Company, one of the local committee of the Asiatic Bank Company, and director of the Bombay Reclamation or Back Bay Company, also a member of the mercantile firm that were secretaries and treasurers to the Victoria Land and Press Company, the Scott Press Company, the Bombay Shipping Company, the Port Canning Company, and the Bombay Reclamation or Back Bay Company.

32. Another commercial director of the Bank of Bombay appears to have been chairman of the Elphinstone Land and Press Company, chairman of the Merchants' Building Society, partner in business with the chairman of the Frere Press Company, member of the firm that were secretaries and treasurers to the Mechanics' Building Society, member of the firm that were secretaries and treasurers to the Frere Press Company, director of the Mofussil Press and Ginning Company, and member of the firm that were secretaries and treasurers to the same; director of the Western India Hotel Company, and partner in business with another director of the same; partner in business with a director of the Port Canning Company, member of the firm that were secretaries and treasurers of the Apollo Bonded Warehouse Company, partner in business with another director of the Elphinstone Land and Press Company, and member of the firm that were secretaries and treasurers of the same.

33. Another commercial director of the Bank of Bombay appears to have been a member of the Victoria Land and Press Company, a director of the Scott Press Company, a director of the Bombay Land and Shipping Company, a director of the London Asiatic and American Company, partner in business with a director of the Mofussil Cotton Press Company, partner in business with the deputy chairman of the Asiatic Banking Company, member of the firm that were secretaries and treasurers of the Bombay Grain Company, a director of the Goa Coffee Company, member of the firm that were secretaries and treasurers to the same; director of the Western India Hotel Company, partner in business with a director of the Apollo Bonded Warehouse Company, partner in business with a director of the Port Canning Company, partner in business with one of the local committee of the Asiatic Bank Company, director of the Bombay Reclamation or Back Bay Company, and partner in business with another director of the same.

34. Another director of the Bank of Bombay seems to have been a director of the Broach Cotton Mills Company, director of the Bombay Grain Company, director of the Bombay Shipping Company, director of the Colaba Company, director of the Goa Coffee Company, and director of the Bombay Reclamation or Back Bay Company, on the shares of which he is said to have been allowed to borrow at one meeting of the directors, 25 lacs of rupees, or 250,000 £: the whole or nearly the whole of which has been lost to the Bank of Bombay, he having since become bankrupt, and the shares he borrowed on proved worthless.

35. Another commercial director appears to have been a director of the Apollo Press Company, a director of the Colaba Land Company, a director of the Financial Association of India, chairman of the Broach Cotton Mills Company, brother to a director of the Bombay Grain Company, brother to a director of the Coorla Spinning and Weaving Company, and brother to a director of the Bombay Reclamation or Back Bay Company.

36. Another commercial director appears to have been a director of the Prince of Wales Press Company, one of the local committee of the Asiatic Banking Company, and a director of the Bombay Reclamation or Back Bay Company.

37. Another commercial director seems to have been a director of the Colaba Press Company, a director of the Goa Coffee Company, and a director of the Bombay Reclamation or Back Bay Company.

38. Another commercial director appears to have been a director of the Prince of Wales Company, and a brother of a director of the Bombay Reclamation or Back Bay Company.

39. Another commercial director of the period seems to have been a member of the firm that were secretaries and treasurers to the Elphinstone Land and Press Company, to the Frere Press Company, and to the Mofussil Press and Ginning Company, to the Apollo Bonded Warehouses, to the Mechanics' Building Company, and to the Frere Land and Reclamation Company, chairman to the Land and Press Company, partner in business of a director of the Victoria Land and Press Company, and of the Scott Press Company, and of the Bombay Land and Shipping Company, and of the deputy chairman of the Asiatic Banking Company, and a director of the Goa Company, and of a director of the Port Canning Company, and of a director of the Bombay Reclamation or Back Bay Company.

40. Another of the commercial directors appears to have been a director of the Mofussil Press and Ginning Company, a director of the Western India Hotel Company, a director of the Apollo Bonded Warehouse Company, a director of the Goa Coffee Company, a director of the Port Canning Company, the partner in business of another director of the Port Canning Company, and a member of the firm that were agents to that Company in Bombay.

Bombay. Partner in business of the chairman of the Victoria Land and Press Company, of the Chairman of the Scott Press Company, of a director of the Mofussil Cotton Press Company, and of the Bombay Land and Shipping Company, of a director of the Elphinstone Land and Press Company, and of a director of the Frere Press Company, and of the Goa Coffee Company, a director of the Asiatic Spinning Company, and member of the firm that were secretaries and treasurers to the same, a member of the mercantile firm that were secretaries and treasurers of the Victoria Land and Press Company, and of the Scott Press Company, and of the Bombay Shipping Company, partner in business of one of the local committee of the Asiatic Bank, and a director of the Bombay Reclamation or Back Bay Company, the partner in business of another director of that Company, and a member of the firm that were secretaries and treasurers to the same.

41. Another director (and this is the last your memorialists will trouble you with, having done enough to exhibit to you the character of the Board,) seems to have been a director of the London Asiatic and American Company, a partner in business with the deputy-chairman of the Asiatic Bank, member of the firm that were secretaries and treasurers to the Bombay Grain Company, partner in business of a director of the Bombay Land and Shipping Company, and a chairman of the same, partner in business of a director of the Goa Coffee Company, and a director in it himself, partner of a director of the Scott Press Company, a director of the Western India Hotel Company, a director of the Apollo Bonded Warehouse Company, a director of the Port Canning Company, the partner in business of a director of the Victoria Land and Press Company, of a director of the Mofussil Press Company, one of the local committee of the Asiatic Bank Company, a director of the Bombay Reclamation or Back Bay Company, and a partner in business of another director of the same.

42. Such being the state of the bank direction at the period in question, your memorialists will now proceed to examine into the several modes in which the bank's losses were incurred, and as to how far the conduct of the directors in making these loans was in conformity with, or in violation of their Act of Incorporation, as well as in accordance with the duties legally binding on them as trustees for the shareholders. The result will show, as a matter of course, how far they are or are not individually and collectively liable to make good the losses that have been thus occasioned.

43. Your memorialists gather from the report of the present bank directors, dated the 5th August 1867, that one of the leading causes that have led to the bank's ruin was the directors delegating their authority to the secretary and treasurer, who availed himself of this laxity to lend the bank's money in numerous instances to persons undeserving of credit and on very inadequate security. Now as to this point, the legal duty of the directors was very clear, and it is equally clear from the above, that they have grossly violated it. For, by the first Act of Incorporation (3 of 1840 of the Legislative Council of India, section 11), it was enacted that the business of the bank should be managed by nine directors, three to be appointed and removable by the Government, and six to be appointed and removable by a general meeting; and by section 21 of the same Act, it was enacted that the presence of three directors should be required to form a Board for the transaction of business. And the same provisions precisely were contained in the 14th section of the Act of the Legislative Council of Bombay of 1863, under which (repealing the former Act) the Bank of Bombay was re-constituted. If, therefore, the directors chose to delegate to another the duty which was a personal one, and which they were bound by the Act, as well as by the general law upon the subject, to perform themselves, and loss came of it, for that loss they are most clearly liable; because directors, as your memorialists have shown above, are bound to execute their trust with fidelity and reasonable diligence; and it is a special part of the trust of a bank director that he shall take due and proper care not to advance the bank's money to persons of bad or doubtful credit, or on bad and insufficient security. No doubt a reasonable allowance is in all cases to be made in construing this obligation, but there can be no allowance where the duty has not even been attempted or pretended to be performed, as in this instance. As regards their branches they had such powers of delegation, and so far as they were not themselves parties to any gross negligence, or wrong-doing, or breach of their Act of Incorporation, there (but so far only) they are of course not answerable.

44. Another source of loss is stated in the bank's report of 1867 to have been, the directors allowing the bank servants to engage in other businesses, contrary alike to the provisions of the first Act of Incorporation and to the 29th section of the Act of 1863. As to this point again, the directors having plainly been parties to the Act of Incorporation being violated, there can, your memorialists submit, be no question whatever that for all such moneys as they lent to those bank servants for the carrying on of their illegal businesses, and were so the occasion of the bank's losing, they are themselves liable.

45. Again, it is stated in the bank's report for 1867 that the directors of the Bank of Bombay were in the habit of sitting at the Board and voting loans to themselves, and that thus great losses have been occasioned. Indeed, your memorialists believe that, in point of fact, the greater part of the bank's capital has been lost in loans to the directors, or to their partners and colleagues, in the promotion or direction of other companies. But if

the directors of the Bank of Bombay allowed loans of the bank's cash to be taken by their fellow directors, and this without bringing it under the notice of a general meeting, and proceeding to the election of other directors in their stead (they being by such loans disqualified) they directly violated the Act by which they were incorporated, as well as being parties to the violation of the common and well-known rules of law, in allowing their co-directors to help themselves to the bank's money in this way.

46. They violated the Act under which they were incorporated, because, both by the Act of 1840 and the Act of 1863 (sections 15 and 19 respectively), it was enacted that no shareholder should be capable of serving as a director of the bank by election of the proprietors, who should not be the proprietor in his own right, and unincumbered, of 12 shares of 12,000 rupees of the capital stock of the Bank of Bombay; and by sections 39 to 43 of those Acts respectively, it was enacted that if any shareholder should become indebted to the bank, his shares should be held as security for such debt by the bank, and be liable to be sold by it in default of payment of the debt. Such shares, therefore, by the very act of borrowing from the bank, became incumbered within the meaning of the previous section of the Act (unless the loan was made upon Government securities, which were excepted from the general rules as to advances in all parts of the Act), and the director to whom the loan was made at once became disqualified; and thereon it was the duty of the other directors, under Section 18 of the Act 1863, to call a general meeting for the election of other directors in their places, thus giving to all the shareholders public and immediate notice of what was going on.

47. And besides this violation of the provisions of their special Act, the directors who were actors in or parties to such proceedings further violated all the rules of law on the subject of pecuniary dealings between directors and their companies. For the law as to loans of a company's money being voted to themselves by directors (and especially on no security at all, or on securities which afterwards proved to be worthless) is, as your memorialists submit, both explicit and well known. If a director votes loans to himself at all from the company's money, and much more if he does so on no security whatever, or on securities which afterwards prove worthless, he is, as before observed, guilty of a gross fraud upon the shareholders; and the other directors, who stood by and allowed it, are equally liable with him to make good the amount. And blame is particularly to be attributed to the Government directors, because, from their high official position, it must be taken as their special province (as Sir William Mansfield puts it) to act as a check upon any improper proceedings on the part of the commercial directors. Of course, when they had accepted money favours from the latter, they became powerless to fulfil this duty; but that is but one proof the more in support of your memorialists' contention, that it was the corrupt betrayal of their trust by the Government directors that was the real and true cause of the bank's ruin.

48. From the same Bank Report of 1867, your memorialists learn that a great deal of the bank's money has been lent and lost on shares that have subsequently proved worthless, in what are there called "speculative," but which are probably the same as the law designates "bubble" companies. That is, companies established, not with any well-founded expectation of carrying out the principles for which they are formed ostensibly, but rather as a snare to persons who might unwarily become subscribers, and for the purpose of enabling the directors to make a profit of the shares they have thought fit to assume to themselves.

49. Now, as to companies of this sort, your memorialists have shown in preceding paragraphs the extent to which the commercial directors were mixed up in them (the greater part having since collapsed and gone into liquidation), and the mode in which the assent of the Government directors is said to have been obtained to the lending of the bank's money on shares of this kind. And what your memorialists beg to lay down broadly is, that in whatever manner the words in the Act of 1863 on the subject of loans to public companies are to be construed, they could give no sanction to loans on shares in "bubble" companies; and least of all "bubble companies" which the directors of the bank themselves directed, promoted, or were at all concerned in. As regards lending on the shares of such companies at all, it was a direct violation on the part of all the directors of the trust confided in them for the shareholders; and in those directors who personally profited by such loans, whether directly or indirectly, it was a fraud, your memorialists submit, of the very grossest kind.

50. In order to show exactly how far the words which crept into the Act of 1863 on the subject of loans to public companies would give any warrant for what was professed to be done under them, it will be as well here to see how the Act 3 of 1840, as amended by Act 21 of 1854, had put the law in regard to advances of this kind, and into what state the law was brought by the Act of 1863.

51. By the 28th section of the Act 3 of 1840, it was enacted as follows: "And it is hereby enacted that the directors shall make no loan other than such loans as are described in the clause next preceding (which will be found set forth in paragraph 64 of this memorial),
except

except upon the deposit of public securities to the full amount of the loan, and which shall be so endorsed or transferred as to put them at the absolute disposal of the said bank, &c. &c." And by the Act 21 of 1854, section 2, it had been enacted as follows:—"It shall be lawful for the said banks (of Bengal, Madras, and Bombay) to lend money on the security of shares in such of the incorporated Indian railway companies as hold a guarantee from the East India Company with regard to interest, provided that no such loan shall in any case exceed in amount three-fourths of the paid-up value of the shares on the security of which the loan is made, and in every such case such shares shall be transferred to the bank by which the loan is made either absolutely or by way of mortgage."

52. That is exactly how the law stood in relation to loans on Government securities and shares in the incorporated Indian railways till the passing of the Act 10 of 1863, by the Bombay Legislative Council, when, without the slightest idea of extending the bank's powers of lending in this respect (as the Bombay Government appears to have stated), a clause intended to embody the above-named provisions of the 28th section of the Act 3 of 1840, and the 2nd section of the Act 21 of 1854, was inserted in the Act 10 of 1863, as follows, section 32: "Business of the Bank. The said Bank of Bombay, as re-incorporated and re-constituted under this Act, may and is hereby authorised and empowered to carry on and transact the business hereinafter specified, but shall not engage in or carry on or transact any other adventure, trade, or business, than such particular kinds of business, that is to say: 1st. The advancing and lending money on Government securities, and on the security of shares of any of the incorporated Indian railway or other public companies in India." And by an Act passed in 1866, No. 15 of 1866, of the Government of Bombay in Council, it was enacted that the above clause shall be read as if for the words, "The advancing and lending money on Government securities, or on the security of shares in any of the incorporated Indian railway or other public companies in India," the following words were substituted (that is to say): "The advancing and lending money on Government securities and shares in Indian railways, the interest whereon shall have been guaranteed by Government."

53. It is quite clear from the above that the Government had no intention to enlarge the bank's powers of lending in this direction; and that for the putting an end to the abuses that had been perpetrated under the clause as worded in the Act of 1863, it has passed a subsequent Act declaratory of the manner in which the words are to be read and taken. The only question, therefore, that remains is, as to what was the true construction of the clause in law, in the intermediate time between the passing of it in the form first given, and the passing of the second Act of 1866, declaratory of the manner in which it is now to be read and taken.

54. Now as to this your memorialists assume that it will be at once admitted that it could never at any rate have sanctioned fraud, or any conduct on the part of directors of a nature opposed to their general obligations as trustees for the shareholders. They also assume that it will be equally admitted that it could not in any case sanction the directors lending on, or taking assignments of shares in companies which were engaged in any adventure, trade, or business which they were especially prohibited from engaging in by other clauses of this Act. For it would certainly be the greatest absurdity to endeavour to place restrictions on the kind of adventure or business they were to be engaged in at all, if by simply lending on and taking assignments of shares in other companies, they could employ their whole capital (as in point of fact they did do) in forbidden adventures or businesses of every sort and description.

55. For instance, if there was one thing more clear than another, it is the clause in the Act of 1840, repealed in the Act of 1863, prohibiting the directors from lending *in any manner on the security of lands, houses, or immoveable property*.

The words in the Act 3 of 1840 will be found in paragraph 64 of this memorial, and the words in the Act of 1863, s. 34, are as follows:—"Nor shall they (the directors of the bank) make any loan or advance on the mortgage, nor *in any other manner on the security of any lands, houses, or other immoveable property*, or on the title deeds relating thereto." And the reason of this wise restriction must be obvious to every one who knows anything of banking principles. The old Union Bank of Calcutta was brought down chiefly by the neglect of this salutary rule; so, too, it is said, was the Agra Bank; and so also it is with most of the banks that give way in panics.

56. Your memorialists can have no hesitation, therefore, in submitting that the whole of the directors' loans on Bombay Reclamation or Back Bay shares, United Victoria shares, and Elphinstone Land Company shares, being loans on the security of shares in land speculations and the immoveable property thereon, were entirely contrary to their Act of Incorporation, setting aside altogether the character of those shares as securities generally and the directors' own personal interests in connection with them, as shown in the list of companies they were directors of or mixed up with. Such loans or advances were clearly in violation of the clause absolutely prohibiting the directors from making any loan or advance on the mortgage, *or in any other manner, on the security of any lands, houses or other immoveable property*; and this no admissible construction of any other clause in their Act can get over. And when in addition to that fact the directors' personal connection with

these companies is remembered; when it is considered that where they were not themselves the chief promoters and directors of them, their partners in business were; and that as members of the firms that were secretaries and treasurers of them, they were themselves in many cases the secretaries and treasurers of them also; when it is further evident that the main effect and doubtless object in granting these loans, was to give a fictitious value to all the other shares in these companies, including those possessed by the directors, who were non-borrowers, your memorialists are quite sure that it will be conceded that the loans on them so made by the directors were a gross breach of their legal duty as trustees for the shareholders as well as being a direct violation, both in letter and in spirit, of the provisions of their Act of Incorporation. It is needless to add that if this be so, they are one and all personally liable to make good the losses to the bank that have been so occasioned.

57. In the same way your memorialists beg most respectfully to submit that according to the express provisions of the Act of 1863, the only dealings in bank shares which were permissible to the bank directors were those provided for under Section 42 of the Act, which authorised them to enter into negotiations for the purchase of the capital, assets, and business of any other bank within Her Majesty's Indian territories of which the capital was divided into shares, and to allot to the shareholders or proprietors of such bank corresponding shares in the Bank of Bombay; but it never sanctioned the Bank of Bombay taking an assignment of the shares of other banks; and it was a provision of the Act of 1863 as well as of 1840, that assignments should be taken to the bank of all securities on which advances were made by it in default of payment. For the effect of such assignment would necessarily be to render the Bank of Bombay a partner in those other banks, and to make the Government a partner in them also, while they were still being carried on under their old Articles of Association, and involved in all the risks which these might allow of their engaging in, but which it was intended that the Bank of Bombay should be protected from by the stringent rules contained in the Act of its Incorporation. Indeed, such care seems to have been taken to prevent anything of this sort happening, that in the section of the Act of 1863, allowing the Bank of Bombay to take over the assets and businesses of other banks, there is a special proviso that in the event of any other bank's business being so purchased and taken over by the Bank of Bombay, it should thereafter be carried on by the Bank of Bombay with and subject to the several restrictions contained in its two special Acts of Incorporation.

58. It will, your memorialists submit, be obvious therefore that the loans to the Asiatic Bank and the Commercial Bank were wholly *ultra vires* on the part of the directors; and that for the losses incurred, owing to these banks having gone into liquidation, they are themselves responsible. To what extent they had any private interest in granting these loans apart from duty as Bank of Bombay directors, your memorialists cannot tell. But both as regards the Commercial Bank and the Asiatic Bank there appear to have been directors of the Bank of Bombay who directly or indirectly were interested in them; and the Asiatic Bank is believed to have stood in a very close and intimate relation towards the Bombay Reclamation or Back Bay Company with which so many of the commercial directors of the Bank of Bombay were mixed up, as directors, or partners of directors, and the Government directors as allottees of shares in it.

59. Your memorialists having thus shown what loans by the directors the words of the 32nd section of the Act of 1863 will certainly not cover, can have no difficulty in submitting with the greatest confidence what is its true construction.

60. The bank's law of incorporation, as it stood previously, and as it stands now, made the only loans of this kind by the directors lawful, that were made on Government securities or on shares in the Incorporated Indian Railway Companies. The Act of 1863 (not contemplating, as the Bombay Government has, it appears, positively stated, going one step beyond the previous Acts) has in it a sanction for the advancing and lending money "on Government securities, or on the security of shares in any of the Incorporated Indian Railway or other public companies in India." Having regard, therefore, to the evident intention of the framers of the Act of 1863, and to the well-known rule of law, that where of two suggested constructions, the one is entirely consistent with the objects contemplated by the Act, and the other utterly destructive of them, the former is to be taken; as well as to another well-known rule of law, that the word "other" in an act of the Legislature is not synonymous with "any other," but means "*other ejusdem generis*," or of the same nature as that described in the words immediately preceding it; there can be no doubt whatever, your memorialists submit, that the only additional power that was actually given in law to the directors by the clause, as re-worded in the Act of 1863, was that which would have been given to them if the said clause had been worded as follows: "The advancing and lending money on Government securities, or on the security of shares in any of the Incorporated Indian Railway or other public companies of the same nature in India"—that is, *bonâ fide* companies incorporated for public objects, with a fully paid-up capital, working under the inspection of the Government, and through whose shares no possible liability or entanglement in other forbidden adventures or business could have been entailed on the bank or on the Government, on the assignment of them to the bank, either at the time of the loan or in default of re-payment. Indeed the word "public," as used in regard to companies, seems in its strictest legal sense to be of very narrow application, for it has been laid down as
not

not applying either to the South Sea Company or the Bank of England. "A trustee" (says Lewin on Trusts, 3rd edition, page 341) "may not invest the trust fund in the stock of any private company, as South Sea Stock, Bank Stock, &c., for the capital depends on the management of the governors and directors, and is subject to losses. The South Sea Company, for instance, might trade away the whole capital, provided they kept within the limits of their charter." Though by the 22 & 23 Vict. c. 25, s. 32, a special power is given to trustees, where not expressly forbidden by the instrument creating their trust, to invest the trust fund in the stock of the Bank of England.

61. Your memorialists are aware that great allowance may be fairly asked for directors, under ordinary circumstances, erroneously interpreting Acts of the Legislature, though, perhaps, less in regard to the directors of the Bank of Bombay than any others, because there were three of the highest officials of the Government on the direction, who ought to have understood the Act they were set to administer. But such allowance, your memorialists submit, can only be claimed for them when they have been clearly acting in all things for the best, and *bonâ fide*. It is the general character of the work people are engaged in that makes all the difference, just as that which would be simply homicide by misadventure, will, when the slayer is a wrong-doer, be wilful murder. And *that*, your memorialists submit, is the light by which the directors are to be judged in this instance. If they had in granting these loans shown a really honest and disinterested desire to look only to the interests of the bank and of the shareholders, it would have perhaps been a very hard measure to turn round on them now for acts done under a wrong construction of their Act of Incorporation; but their conduct being what it was, they are, as your memorialists submit, entitled to no such indulgence. In point of fact, their misconstruction of the clause, if they really did misconstrue it, could only serve at best to give a colour to what, as being contrary to all their legal duties as the trustees for the shareholders, would have entailed on them an almost equal responsibility in equity without it.

62. It would seem, however, from what has taken place at Bombay, that the directors, while professing to hold so strongly to this rope of sand, as your memorialists have shown it to be, are not altogether so very sure upon the point, and have therefore set up another defence, also based upon the letter of the Act of 1863, as contra-distinguished from its spirit. This is, that however worthless the securities taken by them may have been, they were not bound by their Act of 1863 to take any security at all for loans made by them, beyond the personal security of the borrower. And that having, therefore, unlimited powers of lending to whom they pleased without any collateral security whatever, they did so lend all the money that has been lost, with the exception of about 30 lacs of rupees (or 300,000 £.), and that the worthless securities in question were only taken by them from the borrowers afterwards, on their failure to repay the bank what had so been lent to them.

63. Now, as to this point, your memorialists have observed over and over again, that there are very stringent obligations which are legally binding on directors of all banks towards their shareholders, wholly irrespective of the provisions of their deeds of settlement or Acts of Incorporation; and there could hardly be a better proof of the gross and unpardonable manner in which those duties must have been disregarded by the directors of the Bank of Bombay than their flinging away something like a million seven hundred thousand pounds sterling of the bank's money, within about a twelvemonth, in wholly unsecured loans of this kind; loans, be it observed, not made for the most part, as is obvious to mercantile or trading firms, in the ordinary course of business, but lent by the directors to themselves, their fellow directors, and their friends and fellow gamblers in the various bubble companies with which Bombay was then inundated. Whatever, therefore, might have been the wording of the Act of 1863, it could afford no justification for such conduct as this was; but your memorialists hope to make it clear to you that no such lending on the mere personal security of the borrower was sanctioned by the Act of 1863, under which the bank was re-incorporated.

64. In the previous Act of 1840, there was a clause in section 25, specifying as among the businesses the bank might be engaged in, the "discounting of negotiable securities," and another, "the lending on short loans," and another, "the receiving of deposits." But the 27th section of that Act enacted that the directors of the bank should not discount any securities which had a longer term to run than three months, or lend any money for a longer period than three months, and that they should make no loan or advance on any bank share or certificate of shares, or on any mortgage, or *in any other manner on the security of any lands, houses, or other immoveable property*, nor on any negotiable security of any individual or partnership firm, which should not carry on it the responsibility of at least two persons or firms unconnected with each other in general partnership, nor be in advance to any one and the same individual or partnership firm, either by way of discount, loan, or in any other manner (saving by loans upon the deposit of Government securities or goods not perishable as thereafter mentioned), beyond three lacs of Company's rupees; provided always, that the advances upon bills of exchange accepted by the Government, or upon other Government obligations, should not be considered as an advance within the meaning of this restriction. And the 28th section of the Act 3 of 1840, ran as follows: "And it is hereby enacted the directors of the said Bank of Bombay shall make no loan other than such loans as are described in the clause next

preceding, except on deposit of public securities to the full amount of the loan, and which public securities shall be so endorsed or transferred as to put them at the absolute disposal of the said Bank of Bombay, or on the deposit of goods not of a perishable nature, and of estimated value exceeding the amount of the loan at least one-fourth."

65. That was the law as it stood till the Act of 1863, when the business the bank might be engaged in was defined as follows: "Section 32—Business of the Bank—The said Bank of Bombay, as re-incorporated and re-constituted by this Act, may, and is hereby authorised and empowered to carry on and transact the business hereinafter specified, but shall not engage in, or carry on, or transact any other adventure, trade, or business, than such particular kinds of business; that is to say:—

"1st. The advancing and lending money on Government securities, or on the security of shares in any of the Incorporated Indian Railway or other public companies in India.

"2nd. The discounting, buying, and selling bills of exchange and other negotiable securities payable in India, provided that the directors of the Bank of Bombay shall have power to open drawing accounts with the Banks of Bengal and Madras, and to make from time to time, *with or without collateral security, such temporary advances to either of those corporations* as to the said directors shall seem expedient.

"3rd. The making of investments of moneys of the said bank in Government securities, and from time to time altering, converting, and transposing such investments for others of a like nature.

"4th. The making, issuing, and circulating bank post bills and letters of credit payable in India, to order, or otherwise than to the bearer on demand.

"5th. The buying and selling gold and silver bullion.

"6th. The receiving deposits, keeping cash accounts, and granting cash credits.

"7th. *The granting loans and making advances upon any goods, wares, or merchandise securities of the description above mentioned, which, or the documents of title to which, shall be deposited with or assigned to the said bank as security for such loans and advances*, and the selling and realising the proceeds of sale of any such goods, wares, or merchandise, or other property or securities which, or the documents of title to which, have been so deposited or assigned, or which shall be held by the said bank, and over which the said bank shall be entitled to any lien or charge in respect of any such loan or advance, or any debt or claim of the said bank, and which said goods, wares, merchandise, property, security, or documents of title so as aforesaid deposited with, assigned, or held by the said bank, shall not in due time, in accordance with the terms and conditions (if any) of such deposit or assignment, have been redeemed."

66. Such are the stringent terms as to the business the bank alone might be engaged in, contained in the Act of 1863, most of them having been embodied, as will be seen, in the previous Act of 1840. Such were the securities on which alone the bank might lend its money, and such the minute details for guarding it on every side from losses through the loans so made by it. Yet we are now asked by these directors to believe that all these carefully worded enactments were wholly devoid of meaning, and that there is nothing in the above to prevent the directors lending out the bank's money to their friends and co-directors in other companies by wholesale, without taking any security for the repayment of it whatever, beyond the personal security of the borrower. That, in point of fact, they might do for any fellow share-gambler what they were only empowered to do for the other Government Banks of Bengal and Madras (as will be seen above) by a special clause introduced for the purpose of enabling them to dispense in their case with any collateral security. The admission, however, of one class by name does not involve the admission, but, on the contrary, the exclusion of all others, and it will be hard, indeed, for them to find in the above the slightest earthly colour even for such an astounding position as this is.

67. The clause on which (as your memorialists suppose) the directors and their friends rely, is the 6th, authorising "the receiving deposits, keeping cash accounts, and *granting cash credits*," for the very next clause, the 7th, on the subject of loans and advances, expressly confined them to "the granting of loans, and making advances upon any goods and wares, merchandise, or other property or securities of the description above mentioned, which, or the documents of title to which, shall be deposited with, or assigned to, the said bank as security for such loans or advances."

68. But so far from "granting cash credits," meaning unlimited and *unsecured* loans by directors of a bank to their friends, co-directors, and themselves, to write off afterwards, through the Bankruptcy Court (which, as will be seen by the 7th clause, were absolutely prohibited), there is, perhaps, no species of bank dealing more safe than the "granting cash credits," when the directors perform their duty, as they are bound to perform it under the general law, as trustees of the shareholders. For it is simply the opening of a credit on proper security being given, which the borrower (instead of taking up the money at once) only avails himself of from time to time, as occasion arises for his doing so, and, therefore,

no cash credit can properly be given, and no *bonâ fide* cash credit ever is given, till the directors not only have satisfied themselves that the object it is required for is a legitimate one, but have also taken sound and good security to the full extent of the credit which is so granted. In ordinary cases that security would, provided it seemed good, be to a great extent at the discretion of the directors; but in cases like this, where the kind of security the bank is allowed to advance on is strictly defined by their Act of Incorporation, the securities on which cash credits are granted must, of course, be the same, as, otherwise, the restrictions in question would be wholly nugatory. The only cash credits, therefore, that could be granted by the directors of the Bank of Bombay, were not only secured cash credits, but cash credits secured on some one or other of the various kinds of security specified in the Act as being of the kind that the bank might make loans or advances on. So far, therefore, from this clause of the Act of 1863 warranting wholesale loans on the mere personal security of the borrowers (and those borrowers for the most part share-gamblers not engaged in any legitimate business), it merely sanctioned a peculiar form of advance to its customers most convenient and economical to the honest merchant or trader, and which it would be quite impossible for any dishonest borrower to avail himself of, to the serious detriment of the institution, unless there was a gross neglect of duty, or a fraudulent playing into his hands in violation of their Act on the part of the bank directors.

69. Your memorialists have, in the above paragraphs, given a plain and straightforward narrative of the causes which led to the bank's ruin. The whole story is so well known in Indian circles, and is so easily gathered from the bank's reports themselves, that they suppose that there can be no room for questions as to the general accuracy of it. And if the facts be as stated, your memorialists are unable to perceive any ground, whether equitable or moral, on which the Government can now claim exemption from all liability for these losses, as it appears to have done. It undertook to introduce the Act re-constituting the bank in 1863, and it performed the duty, according to its own account, with such gross negligence as to give a colour for what it never had, as it says, any intention to sanction the directors doing under it. From its absolute power of control and inspection, added to the presence of three of its high officials at the board of bank direction, it was to all intents and purposes (as the Calcutta Council Minutes admit), the bank's governing body; and being so, it conducted its duties in such a manner as to have caused a loss to the shareholders of two millions sterling of their capital in the short space of a twelve-month. There is not a clause in the Bank's Act which the commercial directors have desired to violate, that the Government, through its directors, who were especially appointed as a check on the commercial directors, have not been parties to the violation of. And if the commercial directors have acted in total disregard of their duty as trustees of the shareholders, and made use of their position as bank directors to promote their own personal objects, or the personal objects of their partners and co-directors in other companies, the Government directors have done even worse, if possible, by adding to all this, the accepting money-favours from those directors or their colleagues in the direction of those companies as the reward for conniving at such misconduct; while the Bombay Government itself, having full means of knowing what was going on, chose to stand by while its servants and their co-directors were violating their trust, and violating their Act of Incorporation, without once stepping in to put a stop to it, as it was obviously its duty to do, not only as the executive of the country and guardian of its people's rights, but also as the real head of the bank, and as participating through its *locum tenentes* at the board of direction in the trust for the shareholders. Whatever liability, therefore, in law or equity, attaches to the commercial directors, attaches to the Government, through its own acts and omissions, and through the acts and omissions of the Government directors to an infinitely greater extent if it be possible; and such liability being indivisible, it is bound in equity as well as honour to make good to the shareholders the money which it has thus been a party, and the principal party, to the making away with in the several illegal manners mentioned. From that position your memorialists contend there is no escape, unless the great principles laid down by Lord Hardwicke in the case of the *Charitable Corporation v. Sir R. Sutton* and others (2 Atkyn's 403), are to be deemed wholly obsolete.

70. This being so, your memorialists confidently trust that you will not add to the grievous losses and anxieties to which they have already been subjected, by a refusal to entertain their fair and equitable claim upon you; and the more especially as in past times the Government of the honourable East India Company, and of the Crown, have never hesitated to make good the losses occasioned by the misconduct of public servants in India, even when there was no legal obligation on them to make good such losses. If there were the slightest reason for doubt as to the fairness of your memorialists' claim, the matter might be different; but they are very sure that there will be none in the mind of any just and honourable man, whether lawyer or layman, who reads this memorial.

Wherefore, your memorialists most respectfully pray that, taking the premises into consideration, you will cause an account to be taken of all such moneys as may have been lent by the directors of the Bank of Bombay in contravention of the terms of their Act, as well as of their duty as trustees for the shareholders, and lost in the several manners herein shown or otherwise, and that you will direct the amount so found, to be replaced in the bank by the Government of Bombay, to the account of the capital stock of the institution, leaving that Government to take such steps in

regard to its own and the commercial directors concerned as it may deem the circumstances of the case to require.

And your memorialists will ever pray, &c.

(signed) *T. C. Graham*, for self, Captain, 55, Parliament-street.
T. C. Graham, for *Surah Annie Graham*, 55, Parliament-street.
G. M. Robertson, 5, William-street, Lowndes-square.
E. Penton Thompson, 15, Bolton-street, May Fair.
W. H. Harrison, Union Club, Trafalgar-square.
H. Borradaile, B.C.S., 13, Morland-road, Croydon.
Thos. Chase Parr, Major General, Harrow.
A. S. Le Mesurier, 7, Connaught-square, Hyde Park, W.
George Hassock, Colonel, R.A., Junior United Service Club.
A. K. Corfield, 12, Pembroke-crescent, Bayswater.
John Scott, 86, Oxford-terrace.
R. Alexander, Downs House, Yalding, Kent.
J. D. Leekie, per *S. P. Low*, Boulevard Negrier, No. 6, Le Maas Saithe.
Julia M. Roberts, per *S. P. Low*, Haseldine House, Nuvert.
Henry Roome, M.D., per *S. P. Low*.
J. Shekleton, Lieut. Col., per *S. P. Low*, 14, St. James-square.
J. McLennon, per *S. P. Low*, 101, Upper Harley-street.
R. Wells, R.N., per *S. P. Low*, Royal Naval College, Portsmouth.
D. Davidson, Major Genl., per *S. P. Low*, 31, Palmeira-sq., Brighton.
J. A. Grant, per *S. P. Low*.
Delamain, C. H., Lieut. Col., per *S. P. Low*, St. Jervain, France.
Jacob, H., Major General, per *S. P. Low*, 41, Grosvenor-place, Bath.
Elizabeth M. Price, per *S. P. Low*, Queenborough House, Bath.
R. Chigston, per *S. P. Low*, Whitsome.
J. Huish, per *S. P. Low*.
S. Napier Raikes, Major, per *S. P. Low*.
Bernard McMahon, per *S. P. Low*, Wick House, Wadhurst.
Alicia Egan and another, per *S. P. Low*.
Alexander Hadden, per *S. P. Low*.
J. B. Dennis, Major Genl., per *S. P. Low*, Cullaghmore, Tullow, Ireland.
H. S. Oldfield, per *S. P. Low*, 17, Gloucester-place, Hyde Park.
E. Robertson, per *S. P. Low*.
John S. Whittock, per *S. P. Low*, Pontefract.
Graham, W. S., Captain, per *S. P. Low*, Medham, Isle of Wight.
W. Monckton and others, per *S. P. Low*, Amherst House, Clifton.
Ellen Monckton, per *S. P. Low*, Amherst House, Clifton.
Emma S. Monckton, per *S. P. Low*, Amherst House, Clifton.
John Clibborn, per *S. P. Low*, 9, Cavendish-place, Bath.
Charlotte A. Powell, per *S. P. Low*, 42, Queen's Gardens.
D. A. Eisdale, per *S. P. Low*, 38, Dublin-street, Edinburgh.
M. Stack, Major General, per *S. P. Low*, Broomville, Tullow.
C. P. Van Straubenzee, per *S. P. Low*, Holtby Park, Bedale.
H. M. Evans, Colonel, per *S. P. Low*.
A. H. Newport, per *S. P. Low*.
George Moore, per *S. P. Low*, 81, Oxford-terrace.

The Under Secretary of State for India, to *S. P. Low*, Esq.

Sir,

India Office, 13 March 1868.

I AM directed by the Secretary of State for India in Council, to acknowledge the receipt of your letter, dated the 2nd instant, forwarding a memorial from certain shareholders of the Bank of Bombay, praying that the Secretary of State will cause an account to be taken of all such moneys as may have been lent by the directors of the bank in contravention of the terms of their Act, and direct the amount to be replaced in the bank by the Government of Bombay, to the account of the capital stock of the institution.

In reply, I am directed to inform you that Sir Stafford Northcote must decline to act in the manner suggested by the memorialists, as he does not consider that he would be justified in sanctioning any grant from the public revenues of India, for the purpose of making good the losses sustained by the shareholders of the Bank of Bombay.

S. P. Low, Esq.

I am, &c.
 (signed) *Clinton*.

CHAIN CABLES AND ANCHORS.

RETURN to an Order of the Honourable The House of Commons,
dated 23 April 1868;—for,

RETURN “ of the COST of CABLES, ANCHORS, MOORING CHAINS, and SCREW MOORINGS, purchased for the INDIAN DEPARTMENT since January 1865, to include the following Particulars, viz.: Name of the Firm or Individual supplying the Articles above enumerated; Statement from the Invoices of the Sizes, Price per Cwt. or per Ton, of each Article supplied; Price of Screw Moorings to be stated separately, and Name of Patentee; also, if any further Contracts are now open or pending for similar Supplies, the same Particulars to be given.”

21 May 1868.

GERALD C. TALBOT,
Director General of Stores.

The Total Cost of the Cables, Anchors, Mooring Chains, and Screw Moorings purchased } £. s. d.
by the India Office since January 1865, is - - - - - } 95,155 7 1

As shown in detail in the annexed lists.

The Patentee of the Screw Moorings is Mr. George Wells, of 12, North-street, Westminster.

RETURN of the COST of CABLES, ANCHORS, MOORING CHAINS, and SCREW MOORINGS purchased for the Indian Department since January 1865.

DESCRIPTION.	Size.	Quantity.	Rate.	Value.	Maker's Name.	REMARKS.		
BOMBAY:								
Per Marine Requisition, No. 3, dated 5 Aug. 1864.								
Screw Moorings for Carwar Harbour.		Inches.		£. s. d.				
Screw Moorings - - - - -	- - - - -	6	}	523 17 6	George Wells.			
Cable Chain, lengths - - - - -	2 - - - - -	6						
Buoys - - - - -	- - - - -	6						
Shafting, Wrought iron, capstan head, &c., in bars -		- - - - -	- - - - -	125 - - -				
BENGAL:								
Per Marine Requisition, dated 3 Dec. 1864.								
	Cwt.	No.						
Anchors - - - - -	75	93	42 -	14,823 3 2				
Anchors - - - - -	45	45	30 -	1,387 15 3				
Anchors - - - - -	63	4	50 -	602 1 11				
BENGAL:								
Per Marine Requisition, dated 3 Dec. 1864.								
	Inches.				Brown, Lenox & Co.			
Swivels, &c. - - - - -	5½	72	33 4½	1,211 3 10				
		Fathoms.						
Chain Cable - - - - -	2¾	1,230	20 -	4,640 7 4				
	2½	1,250	20 -	3,792 17 10				
	2¼	87½	20 -	263 19 10				
Shackles for ditto - - - - -	of sizes	- - -	35 -	1,917 17 8				
	Feet.	No.	Each.					
Buoys - - - - -	10	36	85 l.	3,060 - -				
	11	36	90 l.	3,240 - -				
BENGAL:								
Per Marine Requisition, dated 3 Dec. 1864.								
Screw Moorings.		Cwt.	No.	Per Ton.				
Screws - - - - -	- - - - -	58	85	24 5 -	6,246 19 4			
Screws - - - - -	- - - - -	58	15	23 - -	1,040 - 7			
Engines, screwing - - - - -	- - - - -	- - -	2	- - -	630 - -			
			Sets.					
Instruments, screwing - - - - -	- - - - -	- - -	2	- - -	415 - -			
	Feet.							
Buoys - - - - -	11	50	}	37 5 -	8,822 6 3			
Buoys - - - - -	10	50						
	Inches.	Fathoms.						
Chain - - - - -	3	582	}	18 10 -			5,109 11 5	
	2¾	528						
	2½	510	}	17 15 -	984 8 11			
	3	72						
	2¾	126	}	17 10 -	159 12 6			
	2½	144						
	2¼	66	17 5 -	311 6 11	George Wells.			
	2¼	123	16 10 -	26 2 10				
	2¼	11	28 10 -	135 1 3				
Shackles - - - - -	of sizes -	52	29 5 -	1,218 17 4				
		475	35 1 -	130 9 5				
		21	35 15 -	352 8 6				
		60	56 15 -	181 5 5				
Swivels - - - - -	of sizes -	9	60 - -	139 5 8				
		5	60 15 -	505 14 4				
		17						

RETURN OF THE COST OF CHAIN CABLES, ANCHORS, &c.

DESCRIPTION.	Size.	Quantity.	Rate.	Value.	Maker's Name.	REMARKS.				
BENGAL:										
Per Marine Requisition, No 68, dated 10 March 1865.	Cwt.	No.	Per Cwt. s. d.	£. s. d.						
Anchors, Iron stocked - - - - -	$\frac{1}{4}$	20	42 -	74 - 7						
	$\frac{1}{2}$	22								
	$\frac{3}{4}$	25								
	1	20								
	$1\frac{1}{4}$	20								
	$1\frac{1}{2}$	20								
	$1\frac{3}{4}$	20								
	2	4								
	3	4								
	4	4								
	5	4								
	6	4	27 9	1,334 12 7						
	7	6								
	8	6								
	9	12								
	10	6								
	12	4								
	13	4								
	14	6								
	15	8								
	16	12								
	34	2	33 9	355 5 6						
	35	2								
	36	2								
	38	2								
	39	2								
	40	2					43 3	863 18 -		
	41	2								
	42	2								
Anchors, Wooden stocked - - - - -	14	20							27 9	1,256 10 9
	15	20								
	16	20								
Anchors, Iron stocked, Porter's Patent - - -	14	20	29 -	1,301 3 5						
	15	20								
	16	20								
BENGAL:										
Per Marine Requisition, No. 68, of 10 Mar. 1865.	Inches.	Fathoms.	Per Cwt.							
Chain Cable - - - - -	$\frac{3}{8}$	300	16 2 $\frac{1}{2}$	68 11 10	Brown, Lenox, & Co.					
	$\frac{7}{8}$	300	15 4 $\frac{1}{2}$	87 6 -						
	1	500	15 - $\frac{1}{2}$	199 18 11						
	$1\frac{1}{8}$	300	14 9 $\frac{1}{2}$	439 - 7						
	$1\frac{1}{4}$	500								
	$1\frac{3}{8}$	900	14 3	3,669 11 3						
	$1\frac{1}{2}$	1,100								
	$1\frac{3}{4}$	500								
	2	500								
	$2\frac{1}{4}$	500	14 9 $\frac{1}{2}$	1,194 15 -						
Chain, Rubble - - - - -	$2\frac{1}{2}$	500								
	$\frac{1}{2}$	1,250	46 3 $\frac{1}{2}$	93 7 4						
	$\frac{3}{4}$	1,000	32 3	117 7 4						
	$\frac{1}{2}$	2,000	26 7	358 19 5						
	$\frac{3}{8}$	1,300	25 1	350 9 -						
	Foot.	No.								
Rings, Mooring - - - - -	1	20	32 7 $\frac{3}{4}$	34 15 6						
	Inches.									
Shackles, Connecting - - - - -	$2\frac{3}{4}$	20	30 - $\frac{1}{2}$	116 12 -						
	$2\frac{1}{2}$	20								
	$1\frac{1}{2}$	100								
Shackles, Mooring, No. 2 - - - - -	-	20	38 3	144 5 11		Trinity iron.				
Shackles, Mooring, No. 3 - - - - -	-	20								
Shackles, Mooring, No. 4 - - - - -	-	100								
Swivels, Mooring - - - - -	$3\frac{1}{2}$	50	43 -	425 12 4						
BENGAL:										
Per Marine Requisition, dated 16 August 1865.										
Mooring for Port Canning.										
Shackles - - - - -	-	120	33 -	241 8 11						
		Fathoms.								
Chain, Pudding, 6 fathoms long - - - - -	$2\frac{3}{4}$	144	23 -	5,420 13 2						
Chain, Pudding, 6 fathoms long - - - - -	$2\frac{1}{2}$	288								
Chain, Pudding, 12 fathoms long - - - - -	2	576								
Chain, Pudding, 2 fathoms long - - - - -	$2\frac{1}{4}$	96								
Chain, Pudding, 6 fathoms long - - - - -	$2\frac{1}{2}$	720								
Shackles, Anchor, for $2\frac{3}{4}$ inch chains - - -	-	48	33 -	280 7 7		Trinity iron.				
Shackles, Anchor, for $2\frac{1}{2}$ inch chains - - -	-	96	38 -	294 14 5						
Shackles, Connecting, for $2\frac{3}{4}$ chain - - -	$2\frac{3}{4}$	24	33 -	160 15 1						
	$2\frac{1}{2}$	48								
	2	24								
Swivels, Mooring - - - - -	-	24	36 4 $\frac{1}{2}$	632 13 2						
BENGAL:										
Per Marine Requisition, dated 16 Aug. 1865.										
For Port Canning, on the Mutlah River.										
Anchors, Mooring - - - - -	Cwt.									
	40	24	32 6	1,588 3 2						

DESCRIPTION.	Size.	Quantity.	Rate.	Value.	Maker's Name.	REMARKS.		
BENGAL :								
Per Marine Requisition, dated 16 August, 1865.								
Screw Moorings for the Mutlah River.			No.	Per Cwt.	£. s. d.			
Screw Pile Moorings - - - - -	- -	37	57 l. 10 s.	2,127 10 -	George Wells.			
Shafting, Wrought iron - - - - -	- -	Lengths. 5	- -	350 - -				
Capstan, head - - - - -	- -	No. 1						
Iron Keys, for shafting - - - - -	- -	10						
Eye Bolts and Nuts, and Cleats and Nuts for capstan head.	- -	- -						
Capstan Bars, large, with chain swifters - - -	- -	9						
BOMBAY :								
Per Marine Requisition, No. 5, dated 25 Sept. 1866.								
Chain Cable with studs - - - - -	Inches. 1½	Fathoms. 300	£. s. d. - 17 3	656 1 11	- - -	Trinity iron.		
Chain Cable without studs - - - - -	1½	200	1 3 -					
Shackles, iron mooring - - - - -	1 to 2½ chain.	Sets. 12	1 15 3	259 6 2				
BOMBAY :								
Per Marine Requisition, dated 10 Dec. 1866.								
Moorings for New Transport Ships.			Cwt.	s. d.				
Anchors, Mooring - - - - -	85 to 95	9	45 -	620 10 -				
Anchors, Mushroom, Mooring - - - - -	85 to 95	9	32 -	1,318 12 -				
BOMBAY :								
Per Marine Requisition, No. 6, dated 10 Dec. 1866:								
For the New Transport Ships.			Inches.	Fathoms.				
Chain in 30 fathom lengths - - - - -	3½	360	20 -	2,099 7 10				
Chain in 15 fathom lengths - - - - -	3½	90	20 -	528 15 -				
Shackles for ditto - - - - -	- -	No. 40	33 -	345 8 5				
Swivels for ditto - - - - -	- -	9	36 4½	552 17 -				
Buoys, Mooring - - - - -	- -	6	Each. 120 l.	720 - -				
BENGAL :								
Per Marine Requisition, No. 71, of 15 Jan. 1867.								
Anchors, Iron stocked - - - - -	Cwt. 15 12 3 2	12 6 6 6	Per Cwt.	26 6	384 - 6			
BENGAL :								
Per Marine Requisition, No. 71 of 15 Jan. 1867.								
Chain Rubble - - - - -	Inches. 8	Fathoms. 2,000	£. s. d. 1 11 -	219 10 5	Brown, Lenox, & Co.			
Chain Cable - - - - -	8	400	- 16 -	91 11 2				
	1¼	500	- 14 6	286 9 2				
	1½	1,200	- 14 -	955 19 11				
MADRAS :								
Per Marine Requisition, No. 13, dated 14 Feb. 1867.								
Anchors, Porters - - - - -	Cwt. 15 to 25	6	s. d. 29 -	175 5 8				
Anchors, for boats - - - - -	1 to 3	6	26 6	16 8 5				
MADRAS :								
Per Marine Requisition, No. 13, dated 14 Feb. 1867.								
Chain - - - - -	Inches. 1 1 1 1 1 1 1 1 1 1	Cable. 1 1 1 1 1 1 1 1 1 1	16 6 14 9 14 - 14 - 17 9 19 6 19 9	19 8 8 39 2 5 255 2 - 16 15 4 14 2 7 11 8 9				
BENGAL :								
Per Marine Requisition, No. 1, dated 14 Aug. 1867.								
Chain, Ground, in 4 fathom lengths - - - - -	3¼	400	22 -	- - -	- - -	Not yet supplied; nothing has been paid on account.		
Chain, Ground, in 6 fathom lengths - - - - -	3¼	1,468						
Chain, Ground, in 8 fathom lengths - - - - -	3¼	800						
Links, Swivel - - - - -	- -	No. 100	45 -					
Links, Ground - - - - -	5	140	26 -					
Shackles for links for ground chain - - - - -	- -	320	36 6					
Shackles for 5 in. link, &c. - - - - -	- -	320						
Shackles, Connecting, for ground chain - - -	- -	445	31 6					

RETURN OF THE COST OF CHAIN CABLES, ANCHORS, &C.

DESCRIPTION.	Size.	Quantity.	Rate.	Value.	Maker's Name.	REMARKS.
BENGAL:						
Screw Moorings.	Inches.	Sets.	£. s. d.	£. s. d.		
Moorings with one screwing apparatus for trial	-	12	-	-	-	These have been supplied free of charge, but will be paid for on approval.
Per Marine Requisition, No. 1, dated 14 Aug. 1867.		Fathoms.	Per Ton.			
Cable Chain with connecting shackles	2½	3,750	18 - -	-	George Wells.	These have not yet been supplied, and no payment has been made on account of them.
Shackles for ditto	-	420	28 10 -	-		
Chain in two fathom lengths, to have a 3½ in. link	2½	268	18 - -	-		
Buoys, Wrought Iron	Feet.	No.	Each.	-		
Moorings, Screw, with 21 feet of chain to each	13	100	38 10 -	-		
	-	100	30 - -	-		
Shafting, Hollow	-	Sets.	1	500 - -		
Heads, Capstan	-	1	50 - -	-		
Bars, Capstan	-	1		-		
BENGAL:						
Per Marine Requisition, No. 75, of 22 Aug. 1867.	Cwt.					
Anchors, iron stocked	3	24				
	4	8				
	6	8				
	7	9				
	8	12				
	9	10				
	10	10				
	11	8				
	12	8				
BENGAL:						
Per Marine Requisition, No. 75, of 22 Aug. 1867.	Inches.	Fathoms.				
Chain Cable	¾	500				
	7⁄8	300				
	1	500				
	1 1⁄8	500				
	1 1⁄4	700				
	1 1⁄2	1,100				
	1 5⁄8	500				
	1 3⁄4	500				
	2	500				
Chain, Rubble	¾	1,000				Not yet ordered.
	¾	1,000				
	1 1⁄2	2,500				
	1 5⁄8	1,500				
	8					
BOMBAY:						
Per Marine Requisition, No. 4, of 11 Sept. 1867.	Cwt.					
Anchors, iron stocked, with shackles	35 to 40	4				
	40 to 45	4				
	45 to 50	4				
	50 to 55	4				
	55 to 60	4				
BOMBAY:						
Per Marine Requisition, No. 4, dated 11 Sept. 1867.	Inches.					
Chain Cable	2	120				
	1 1⁄8	250				
	1	250				
	¾	250				
BOMBAY:						
Per Marine Requisition, No. 5, dated 12 Oct. 1867.						
For the Harbour at Aden.	Cwt.		s. d.			
Anchors, Iron Stocked, one fluke only	50	4	32 6			
BOMBAY:						
Per Marine Requisition, No. 5, of 12 Oct. 1867:						
For Aden Harbour.	Inches.		Per Cwt.			
Cables, Chain	2½	100	19 -		Brown, Lenox, & Co.	These have not yet been supplied, and no payment has been made on account of them.
Cables, Chain	3	16	19 -			
		No.				
Shackles, Anchor	-	12	33 6			

CHAIN CABLES AND ANCHORS.

RETURN of the Cost of CABLES, ANCHORS,
MOORING CHAINS and SCREW MOORINGS,
Purchased for the INDIAN DEPARTMENT since
January 1865.

(*Mr. Laird.*)

Ordered, by The House of Commons, to be Printed,
28 May 1868.

EAST INDIA (CHIEF JUSTICES).

RETURN to an Address of the Honourable The House of Commons,
dated 8 May 1868;—for,

“COPY of CORRESPONDENCE between the Secretary of State and the Government of *India* relative to the Appointment of an ACTING CHIEF JUSTICE of the HIGH COURT of *Calcutta* in 1864 and 1865, and also with the Government of *Bombay* relative to the Appointment of an ACTING CHIEF JUSTICE of the HIGH COURT of *Bombay* in 1868; with other PAPERS connected with the Subject.”

India Office, }
11 May 1868. }

H. L. ANDERSON, Secretary,
Judicial and Legislative Department.

(*Sir Stafford Northcote.*)

Ordered, by The House of Commons, to be Printed,
12 May 1868.

C O N T E N T S.

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COPY of CORRESPONDENCE between the Secretary of State and the Government of *India* relative to the Appointment of an ACTING CHIEF JUSTICE of the HIGH COURT of *Calcutta* in 1864 and 1865, and also with the Government of *Bombay* relative to the Appointment of an ACTING CHIEF JUSTICE of the HIGH COURT of *Bombay* in 1868; with other PAPERS connected with the Subject.

(Home Department.—Judicial.—No. 26 of 11th April 1864.)

To the Right Honourable Sir *Charles Wood*, Bart., G. C. B., Secretary of State for India.

Sir,

YOU will perceive from the accompanying correspondence* that the Honourable the Chief Justice of the High Court at this Presidency is under the necessity of proceeding to Europe on leave.

* From Clerk to Chief Justice, dated 29th February, and Enclosure. To ditto, No. 1616, dated 8th March.

2. Sir Barnes Peacock proposes to leave *Calcutta* by the steamer of the 12th instant, and to resume his duties in the month of January, or early in February 1865.

3. We have appointed the Honourable J. P. Norman, one of the Puisne Judges of the court, to officiate as Chief Justice during Sir Barnes Peacock's absence, and to draw, while so officiating, a deputation allowance of 1,000 rupees per mensem in addition to his present salary.

4. We have selected Mr. A. T. T. Peterson, Barrister at Law, to officiate in the room of Mr. Norman, as a Puisne Judge of the High Court.

5. We have to report further that Mr. H. T. Raikes and Mr. Louis Jackson, Puisne Judges of the court, have obtained, under Section 6, Clause 1, of the Civil Service Absentee Rules, leave of absence on medical certificate, the former for nine months, and the latter for fifteen months. Both these gentlemen propose to leave *Calcutta* by the steamer of the 12th instant.

6. We have appointed Mr. Glover to officiate as a Judge of the High Court. He will eventually supply Mr. Raikes' place; but we have directed him to take his seat at once to supply the place of Mr. G. Campbell, of whose deputation to *Agra* you have been apprised by our Despatch, No. 25, dated the 9th instant.

7. On the return of Mr. H. V. Bayley from the three months' privilege leave granted to him in February last, Mr. Elphinstone Jackson, who is at present officiating for him, will be available for the vacancy that will be caused on the Bench by the intended departure on sick leave of Mr. Louis Jackson.

8. We trust these arrangements will have the approval of Her Majesty's Government.

9. We have assigned to Mr. Peterson, and also to Mr. Macpherson, whose appointment as a Puisne Judge, *vice* Mr. H. Mills deceased, was reported in our letter No. 22, dated the 29th ultimo, the full salary of the appointment, viz, at the rate of 50,000 rupees per annum. And for the reasons given in the accompanying Minute by our honourable colleague, Mr. Harington, in which we entirely concur, we have ruled that both Mr. Elphinstone Jackson and Mr. Glover shall, from the date of the latter's appointment, similarly draw the full allowances of the office, so that all the Acting Judges of the High Court may, as regards salaries, be placed on the same footing. We strongly recommend this rule for your approval and confirmation. In any case we shall feel obliged by definite rules being laid down for our future guidance as to the

allowances to be assigned to barristers, members of the Indian Covenanted Civil Services, and others when acting as Chief Justice or as Puisne Judges of the High Court.

10. Whatever decision Her Majesty's Government may come to on these points, we beg that it may not affect the grant of the allowances to the Judges whose appointments are now reported.

We have, &c.

(signed) *John Lawrence.*
R. Napier.
H. B. Harington.
H. S. Maine.
W. Grey.

Fort William, 11 April 1864.

(Judicial.—8 March 1864.)

No. 18.—From *E. B. Peacock*, Esq., Clerk to the Chief Justice, to *E. C. Bayley*, Esq., Secretary to the Government of India; dated 29th February 1864.

I AM requested by the Chief Justice to state that he has been advised by Dr. Macrae to visit Europe for the benefit of his health; and I am desired to enclose, for submission to his Excellency the Governor General in Council, a medical certificate, under the provisions of Clause 4, Section 3, of the Despatch from the Right Honourable the Secretary of State, Judicial, No. 15, dated 17th February 1863.

The Chief Justice proposes, should his Excellency in Council see no objection, to leave Calcutta by the steamer of the 9th of April next, and to resume his duties in the month of January, or early in February 1865.

No. 19.—CERTIFICATE.

I DO hereby certify that the Honourable Sir Barnes Peacock, Chief Justice of Bengal, is in a bad state of health, and that to the best of my judgment, after careful consideration of his case, I believe leave of absence for a period of 12 months, to visit Europe, is absolutely necessary for his recovery.

Calcutta, 19 February 1864.

(signed) *A. Macrae, M.D.,*
 Presidency Surgeon.

(Judicial.—8 March 1864.)

No. 20.—From *E. C. Bayley*, Esq., Secretary to the Government of India, to *E. B. Peacock*, Esq., Clerk to the Chief Justice (No. 1616); dated 8th March 1864.

I AM directed to acknowledge the receipt of your letter, dated the 29th ultimo, and in reply to inform you that the Governor General in Council learns with much regret the necessity which exists for the Honourable the Chief Justice's proceeding to Europe on leave. His Excellency in Council, I am to add, sees no objection to the Chief Justice's proposal to leave Calcutta by the steamer of the 9th proximo.

(Judicial.—28 March 1864.)

No. 93.—From *E. C. Bayley*, Esq., Secretary to the Government of India, to *F. R. Cockerell*, Esq., Officiating Secretary to the Government of Bengal (No. 2201); dated 28th March 1864.

I AM directed to request that the Honourable the Lieutenant Governor will be so good as to place the services of Mr. F. A. B. Glover, of the Civil Service, temporarily at the disposal of the Government of India, with a view to his being appointed to officiate as a Judge of the High Court of Judicature at Calcutta.

(Judicial.—28 March 1864.)

No. 94.—From *E. C. Bayley*, Esq., Secretary to the Government of India, to *E. B. Peacock*, Esq., Clerk to the Chief Justice (No. 2205); dated 28th March 1864.

WITH reference to your letter, dated the 24th instant, I am directed to state, for the information of the Honourable the Chief Justice, that under the provisions of the Act of Parliament, 24 & 25 Vict. cap. 104, sec. 7, the Governor General in Council has been pleased to appoint *F. A. B. Glover*, Esq., of the Bengal Civil Service, to officiate temporarily as a Judge of the High Court of Judicature at Fort William in Bengal.

2. Mr. Glover has been instructed to proceed to the Presidency at his earliest convenience, for the purpose of taking his seat in the High Court, and thus setting free the services of the Honourable Mr. G. Campbell for the object indicated in my letter, No. 2065, dated 23rd instant.

(Judicial.—28 March 1864.)

No. 95.—From *E. C. Bayley*, Esq., Secretary to the Government of India, to *F. A. B. Glover*, Esq., Civil Service (No. 2202); dated 28th March 1864.

I AM directed to acquaint you that, under the provisions of the Act of Parliament, 24 & 25 Vict. cap. 104, sec. 7, the Governor General in Council has been pleased to appoint you to officiate as a Judge of the High Court of Judicature at Fort William in Bengal.

2. You are requested to proceed to the Presidency at your earliest convenience, for the purpose of relieving Mr. Campbell, who has been nominated to a special duty.

3. Your allowances, while officiating as a Judge of the High Court of Calcutta, will be made up as a special case to 3,000 rupees a month.

(No. 2203.)

COPY forwarded to the Financial Department for the issue of such further orders as may be necessary in that department with reference to paragraph 3.

(Judicial.—28 March 1864.)

No. 96.—NOTIFICATION, No. 2294; dated 28th March 1864.

UNDER the provisions of the Act of Parliament, 24 & 25 Vict. cap. 104, sec. 7, the Governor General in Council has been pleased to appoint Mr. Frederick Augustus Bernard Glover, of the Bengal Civil Service, to officiate until further orders as a Judge of the High Court of Judicature at Fort William in Bengal.

(signed) *E. C. Bayley*,
Secretary to the Government of India.

MINUTE by the Honourable *H. B. Harington*, concurred in by His Excellency the Governor General and other Members of Council; dated 9th April 1864.

THE question as to the allowances to be received by members of the English and Scotch bars, and of the Bengal Covenanted Civil Service, appointed to officiate as Chief Justice or as Puisne Judges of the High Court of Judicature at Calcutta, was lately discussed in Council, and it was decided that the judge appointed to act as Chief Justice in the place of the Honourable Sir Barnes Peacock, the state of whose health has unfortunately obliged him to take leave for some months, should receive, while so acting, 1,000 rupees a month in addition to the salary (50,000 rupees per annum) which he draws as a Puisne Judge; that the two barrister judges appointed to act, one in the room of the late Mr. Mills, and the other for the Puisne Judge appointed to act as Chief Justice, should each receive the full salary of the appointment, viz., at the rate of 50,000 rupees per annum, and that the Civilian Judge (Mr. Glover), appointed to act for one of the Civilian Judges of the High Court, who has obtained leave on medical certificate, should, while so acting, receive at the rate of 36,000 rupees per annum. At the date of this decision Mr. Glover, who had recently returned from furlough, held no permanent appointment, and the deputation or acting allowance which he would have been entitled to draw as an acting Puisne Judge of

the High Court at Calcutta, under the rules applicable to members of the Indian Covenanted Civil Service holding acting appointments, would have amounted to only Rs. 2,423 8. 11. a month. The obvious inadequacy of this allowance for an officer discharging the arduous and responsible duties of a judge of the High Court, induced the Government to regard Mr. Glover's case as a special one, and to order that he should receive the allowance above mentioned. Mr. Glover has now been appointed to a Civil and Sessions Judgeship; and he will, therefore, fall under the rules applicable to members of the Covenanted Civil Service acting in an appointment other than that permanently held by them. Under these rules he will draw an acting allowance of Rs. 616 10. 8. a month in addition to the salary (2,500 rupees) of his substantive appointment, making a total of 3,116 rupees a month, or 37,392 rupees a year. This is the salary which Mr. Elphinstone Jackson, who is also acting as a judge of the High Court, has been drawing during the whole time that he has been so acting, or for about 12 months.

As regards the two barrister judges who have recently been appointed to officiate in the High Court, one of them (Mr. Macpherson) holds the appointment of Secretary to the Government of Bengal in the Legislative Department, the salary of which is 1,500 rupees per mensem; and in his case the rule applicable to members of the Uncovenanted Civil Service, when holding acting appointments, might have been applied. The other gentleman (Mr. Peterson) holds no appointment, and there is no rule applicable to him. Having regard to Mr. Peterson's position at the bar, I do not think that the Government, in appointing him to officiate as a judge of the High Court, could have offered him less than the full salary of the appointment; and I also think that, as respects salary, the Government would not have been warranted in making a distinction between Mr. Macpherson and Mr. Peterson.

It is well known that both the Advocate General (Mr. Cowie) and the late Officiating Advocate General (Mr. Graham) declined to act as Puisne Judges of the High Court, when offered the appointment, solely in consequence of their emoluments at the Bar far exceeding any salary that the Government could give them. Even if allowed the full salary of the appointment, while acting as a judge of the High Court, I fear that great difficulty will frequently be experienced in inducing any barrister of character and sufficient standing to accept an acting judgeship in the High Court; and it is hopeless to expect that any barrister of character and sufficient standing will agree to act in the court if he is to receive very much less than the full salary. Wherefore I think we must make up our minds that, in order that we may be able to command the services of competent barristers to officiate as judges of the High Court, when vacancies occur amongst the barrister judges, the acting judge must be allowed the full salary of the appointment. If this be conceded, I am of opinion that the same rule must be followed as respects the civilian judges. I do not think that the invidious distinction which now exists can be maintained; and that while the acting barrister judge is drawing at the rate of 50,000 rupees per annum, the civilian judge who may be of higher standing in the court, and who performs precisely the same duties, can be allowed to go on drawing only 37,392 rupees per annum.

I venture to suggest that the Secretary of State, with whom it rests, under Section 6 of the Act of Parliament (24 & 25 Vict. c. 104) for establishing high courts of judicature in India, to fix the salaries and allowances of the chief justices and judges of the several high courts, be at once addressed in the sense of this Minute; and that in asking him to lay down rules for fixing the allowances to be received by barristers, members of the Indian Covenanted Civil Services, and others when acting as Chief Justice or as Puisne Judges of the High Court, the policy of allowing the Acting Chief Justice or Puisne Judge to draw the full salary of the appointment be strongly urged.

I believe we may safely add, that the adoption of this recommendation will, in all probability, not lead to any very large additional expenditure; but I think we should express our strong conviction that whatever may be the extra expense incurred, no distinction can be made between the barrister and other judges, as regards their acting allowances, without giving rise to great and reasonable dissatisfaction amongst the judges affected thereby, and without very great detriment to the efficiency of the high courts, whereby the public interests must seriously suffer.

H. B. Harington.

I agree to Mr. Harington's proposals. I think that the two classes of judges ought to be just on the same footing, and I would recommend that it now be done from the date of Mr. Glover's appointment.

11 April 1864.

(signed) *John Lawrence.*

I heartily concur.

11 April 1864.

(signed) *R. Napier.*

We also entirely concur.

11 April 1864.

(signed) *H. S. Maine.
C. E. Trevelyan.
W. Grey.*

(Judicial, No. 50).

To His Excellency the Right Honourable the Governor General of India
in Council.

Sir,

India Office, London, 4 July 1864.

Para. 1. Your Despatch, dated 11th April (No. 26) 1864, reporting the arrangements you have made consequent on the departure from India, on medical certificates, of the Chief Justice and two of the Puisne Judges of the High Court, has been considered by me in Council.

2. The arrangements thus reported are sanctioned by Her Majesty's Government.

3. As this is the first instance of the appointment of an Acting Chief Justice under Section 7 of the Act 24 & 25 Vict., cap. 104, I may observe that, while approving of the arrangements you have made upon the present occasion, I think it right to mention that it was competent to you to appoint a judge taken from the Civil Service to officiate as Chief Justice, if you had deemed it advisable to do so. Cases may possibly arise where it would be advantageous to appoint a civil servant to officiate as Chief Justice, although there can be no doubt that generally the same reasons that exist for the appointment of a barrister to the office of permanent Chief Justice would apply equally to the temporary appointment.

4. Concurring in your opinion that the acting judges should, as regards salaries, be placed on the same footing, I approve of your resolution to give the full salary of the appointment to each of the judges now acting in the Court. This rule will take effect on all future similar occasions.

5. Understanding that the arrears have now been greatly reduced, the necessity for keeping up the present number of judges no longer exists. With reference to the provisions of the 2nd section of the High Court Act,* the reduction must commence with the judges taken from the Civil Service, and I request that no appointment may be made which will prevent a reduction of the Civil Service judges being made at the close of the year 1864.

I have, &c.
(signed) C. Wood.

(No. 7 of 1864).

DISSENT by Sir *Erskine Perry*.

(Dissent and Note on 24 & 25 Vict. c. 104).

I DISSENT from that portion of the Despatch passed this day, suggesting to the Government of India, that it is competent to them, on a vacancy in the office of Chief Justice of the High Court, to appoint a civilian to act in the post, for the following reasons :

1. Because I think it is doubtful whether such an appointment is valid in law.

2. Because I think it is inexpedient to volunteer an exposition of a doubtful statute. The executive Government may sometimes be called upon by the exigencies of administration to put their own construction upon an ambiguous Act of Parliament, but no such necessity has arisen here ; the Government of India has raised no question ; the law undoubtedly requires that the Chief Justice should be a barrister ; at the time of the present vacancy, there were three barrister judges on the bench, all selected by the present Secretary of State for their competency and reputation at the bar, and the Government of India has selected the senior of them, Mr. Justice Norman, to act as Chief Justice.

3. Because sound policy, as well as the express words of the law, requiring the Chief Justice to be a barrister, all the arguments in favour of a barrister

holding that office, apply equally to an Acting Chief Justice. Indeed, in point of law, I conceive that there is no distinction between the two offices, and that the person appointed to act as Chief Justice during a vacancy is, in law, complete Chief Justice.

Suppose the law enacted that it should be penal for a Chief Justice to do so-and-so, would it be an answer to an indictment that he was only Acting Chief Justice? Suppose again, the Admiralty law required the Chief Justice to take such and such proceedings to hold a criminal trial, and appoint a surrogate, &c., is it not clear that all these duties would fall on the acting Chief Justice? Is not, in fact, the term "Acting" a mere word of convenience for Indian administration, and without any special signification in law?

4. Because to promote a civilian judge to the chief justiceship, over the heads of the barrister judges, will be extremely obnoxious to the legal profession in England, and will greatly increase the difficulty, now very great, for the Minister for India to select competent men, from the English or Irish bar for judgeships in the High Courts of India.

5. Because the direct tendency of the paragraph in question is to encourage the local Governments of India, who are always more or less civilian governments, to appoint civilians to the bench.

6. Because the ablest civilians who may be selected for the chiefship would be more usefully employed in other offices of administration, where their experience, knowledge of native languages, and training, would fully come into play, whereas, far less able barrister judges, who had devoted themselves solely to the study of law and jurisprudence, and to forensic practice, would be more useful members of a court of justice administering English law and the written codes of the Hindus and Mahometans.

7. Because, if a civilian is appointed head of the court, he would fail to give satisfaction to the European public and to the bar, if he attempted to administer the English law of equity, or the common law, or the law merchant, or Admiralty law, or exercised the functions of Chief Justice or Vice-Admiral, over crimes committed on the high seas.

8. Because, if the civilian Chief Justice declined to exercise these various functions, it would be an avowal on his part that he was not competent to exercise the most important duties of his office.

9. Because, if he exercised his powers of deputing one barrister judge to sit, as to one portion of such duties, and one to another, it would naturally give great offence to his professional brethren, who would distrust his powers to gauge their respective proficiency in common law, equity, &c.

10. Because enlightened public opinion in India, irrespective of any professional interests, whether of barristers or civilians, is strongly in favour of the superior courts of justice being presided over by legally trained judges, as an example of which may be cited the late report of Sir Hercules Robinson on the Straits Settlements, where he says, with reference to the Recorders' courts, "there can be no question that the presence on the bench of unprofessional judges is no longer suitable."

11. Because the unavoidable result of the erection of the High Court has been to diminish the position and *status* formerly held by the barrister judges of the Supreme Court; and as the late Supreme Court was a most successful institution, any further diminution of the position of barrister judges, not imperatively called for by the public interests, is inexpedient.

Note on 24 & 25 Vict. cap. 104.

Section 7, of 24 & 25 Vict. cap. 104, enables the Governor General, or the Governor in Council, "on the vacancy in the office of Chief Justice, and during the absence of a Chief Justice," to "appoint one of the judges of the same High Court to perform the duties of Chief Justice of the said court, until some person has been appointed by Her Majesty," &c. &c.

These words, taken by themselves, seem to mean that the local Government may appoint any one of the existing judges to the vacant appointment. But if a civilian were selected for the appointment, and the validity of the appointment

ment were questioned in a court of justice, it is probable that the judges would couple section 3 with section 7, so as to ascertain what was the composition of the court, and what the qualifications of the judges.

If they did this, they would find that by law the court must consist of three, or possibly of two judges at the least, and might consist of as many as sixteen, one-third of whom must be barristers. That is, there must always, by law, be at least one barrister and one civilian in the court, and there might be as many as six of each. By law also, the Chief Justice must be a barrister.

On a vacancy occurring then, or during the absence of a Chief Justice, it is possible that the judges would hold that the powers of selection given to the local Government to select an Acting Chief Justice out of the existing judges, must be subject to the same limitations as are imposed on the Queen to select a Chief Justice; and I think this is the sound construction of the Act.

For, 1st., the Act does not propose to give greater powers of selection to the Governor General than to the Queen, but less; yet the Queen clearly cannot appoint a civilian.

2nd. All the arguments on the policy of the Act in favour of requiring the Chief Justice to be a barrister, apply equally to an Acting Chief Justice. There is no distinction whatever between the functions and duties of the two officers; indeed, in law, there would seem to be no other distinction than that the one is permanent, the other, temporary chief justice.

3rd. But it is said, suppose the case of there being no barrister judge in the court, what must the Government do? I reply, no such case could occur. Even if all the barrister judges were to drop down dead at once, or there were only one barrister judge in the court, and the Chief Justice going away on leave, it would be the duty of the Government to appoint barrister judges within the legal limits, and from the puisne judge or judges so appointed to appoint a Chief Justice.

30 June 1864.

(signed) *E. Perry.*

(Home Department.—Judicial.—No. 47, of 1865.)

To the Right Honourable Sir *Charles Wood*, Bart., G.C.B., Secretary of State for India.

Sir,

Simla, 10 August 1865.

THE Chief Justice of the High Court having found it necessary to proceed to the hills for a period of three months for the benefit of his health, we have appointed Charles Binney Trevor, Esq., the senior Judge of the Court, to officiate as Chief Justice during Sir Barnes Peacock's absence.

We have, &c.

(signed) *John Lawrence.*
W. Mansfield.
W. Grey.
G. N. Taylor.
W. N. Massey.
H. M. Durand.

(Judicial.—No. 63.)

To His Excellency the Right Honourable the Governor General of India in Council.

Sir,

India Office, London, 31 October 1865.

I HAVE to acknowledge the receipt of your Despatch, dated 10th August, No. 47, of 1865, notifying the appointment of Charles Binney Trevor, Esq., to officiate as Chief Justice of the High Court during the absence of Sir B. Peacock, who has proceeded to the hills for a period of three months for the benefit of his health.

I have, &c.
(signed) *C. Wood.*

(No. 3, of 1868.—Judicial Department.)

To Her Majesty's Principal Secretary of State for India in Council, London.

Right Honourable Sir,

WE have the honour to inform you that we have granted to the Honourable Sir Richard Couch, Chief Justice of Her Majesty's High Court of Judicature, privilege leave of absence for three months from the 15th proximo.

2. We have, under the provisions of section 7 of Act 24 & 25 Vict. c. 104, appointed the Honourable Henry Newton, Judge of the High Court, to act as Chief Justice during the absence of Sir Richard Couch.

We have, &c.

(signed) *Wm. R. Seymour V. Fitzgerald.*

B. H. Ellis.

Bombay Castle, 28 February 1868.

S. Mansfield.

(Judicial.)

To His Excellency the Right Honourable the Governor in Council, Bombay.

Sir,

India Office, 30 April (No. 14) 1868.

THE Despatch of your Excellency in Council, dated 28th February, No. 3, of 1868, announcing that privilege leave of absence for three months had been granted to Sir Richard Couch, and that the Hon. Mr. Justice Newton had been appointed to act as Chief Justice, has been considered by me in Council.

2. The arrangement thus reported is sanctioned by Her Majesty's Government.

3. I desire, however, to draw the attention of your Excellency in Council to the remark at the close of the 3rd paragraph of the accompanying Despatch, addressed by my predecessor, Sir C. Wood, to the Government of India in July 1864.

I have, &c.

(signed) *Stafford H. Northcote.*

(No. 4, of 1868.)

DISSENT by Sir *Erskine Perry*, concurred in by Sir *G. R. Clerk*.
and by Sir *Bartle Frere*.

I DESIRE to record my dissent from the Despatch of this day, confirming the appointment of a civilian judge as provisional Chief Justice in Bombay, on two grounds.

1st. I think it is of very doubtful legality, and as I understand many lawyers are of the same opinion, it appears to me that the law officers of the Crown should be consulted. On this ground I beg to refer to the reasons I recorded on the 30th June 1864, when the Secretary of State *volunteered*, as I thought, an exposition of a doubtful Act of Parliament.

2nd. Even if the strict terms of the law enable the local governments to appoint a civilian provisional Chief Justice, all the same reasons which require professional knowledge and legal training in the permanent Chief Justice, who must by law be a barrister, apply to an acting Chief Justice, and therefore the present appointment is a violation of the policy of the law, unless there are exceptional circumstances to justify it, none of which appear, or, as I believe, exist. Sir Charles Sargent, who was formerly Chief Justice at Corfu, and Mr. Justice Westropp, formerly an eminent barrister at the Bombay Bar, are both on the Bombay Bench, and either of them is available for the appointment.

23 April 1868.

(signed) *E. Perry.*

I concur.

(signed) *G. Clerk.*

DISSENT by Sir *H. B. E. Frere.*

I CONCUR. I think a reference to the law officers is essential to the safety of any civilian who may be appointed to act as Chief Justice, in the possible event of the validity of his acts being challenged.

(signed) *H. B. E. Frere.*

OPINION in support of the Draft to Bombay, Judicial Department, relative to the Appointment of Mr. *Newton* to act as Chief Justice of the High Court.

HAVING supported the Despatch of the 23rd April 1868, approving of the appointment of Mr. *Newton* to perform the duties of Chief Justice of the Court at Bombay during the absence of Sir Richard Couch, I wish to assign my reasons, as the legality of the appointment was questioned in Council because Mr. *Newton* was not a barrister. When the Act establishing High Courts in India (24 & 25 Vict. c. 104) was under consideration, I distinctly recollect that the expediency of requiring the judge appointed to act during the absence of the Chief Justice to be a barrister was fully considered, and it was determined not to do so, but to leave it open to the Government to appoint any one of the judges of the same court. Not wishing to trust to my own memory, I wrote to Mr. *Hawkins*, who was then our Judicial Secretary, and who framed the Act, and I read in Council his reply, entirely confirming my recollection. I shall now proceed to show that the provisions of the Act are in accordance with the intention. The Act, after stating the number of the judges, and from whom they are to be selected, adds: "Provided that not less than one-third of the Judges of such High Courts respectively, including the Chief Justice, shall be barristers."

The Chief Justice is thus included in the third required to be barristers, but there is no special enactment as to him. The Act then points out the course to be pursued during any absence of a Chief Justice or other Judge of the High Court. The contingencies of health in India rendered such a provision necessary, and the enactment is clear and distinct.

With regard to judges other than the Chief Justice it is as follows: "It shall be lawful for the Governor General in Council, or Governor in Council, as the case may be, to appoint a person *with such qualifications as are required in persons to be appointed to the High Court.*" But with regard to the Chief Justice, it runs thus: "During any absence of a Chief Justice, the Governor General in Council, or the Governor in Council, as the case may be, shall appoint one of the Judges of the same High Court to perform the duties of Chief Justice of the said Court," omitting the words "*with such qualifications as are required in the person to be appointed Chief Justice of the High Court.*" and leaving it open to the Government to appoint any one of the judges without any restriction. This is not the first time that a civilian judge has been appointed to act during the absence of the Chief Justice. In August 1865, Mr. *Trevor*, a civilian, was appointed to act as Chief Justice in the High Court at Calcutta during the absence of Sir *Barnes Peacock*. That appointment was never questioned by Sir *Barnes Peacock* or the other barrister judges; and in the present case the appointment of Mr. *Newton* has not been questioned by the Chief Justice or other barrister judges of the High Court at Bombay. The law appears to me clear; it has been acted upon by the Governments at Calcutta and Bombay, with the acquiescence of the Judges of the High Courts at these Presidencies, and I think it would have been very unwise to raise doubts by referring the matter to the law officers of the Crown, as was suggested.

1 May 1868.

(signed) *J. W. Hogg.*

EAST INDIA (CHIEF JUSTICES).

COPY of CORRESPONDENCE between the Secretary of State and the Government of *India* relative to the Appointment of an ACTING CHIEF JUSTICE of the High Court of *Calcutta* in 1864 and 1865, and also with the Government of *Bombay* relative to the Appointment of an ACTING CHIEF JUSTICE of the High Court of *Bombay* in 1868 ; with other PAPERS connected with the Subject.

(*Sir Stafford Northcote.*)

Ordered, by The House of Commons, to be Printed,
12 May 1868.

EAST INDIA (CONTRACT LAW).

RETURN to an Address of the Honourable The House of Commons,
dated 26 March 1868;—*for*,

“COPIES of PAPERS showing the present position of the Question of a
CONTRACT LAW for *India* :”

“And, of all REPORTS of the INDIAN LAW COMMISSIONERS on the Subject
of CONTRACTS.”

India Office, }
29 April 1868. }

H. L. ANDERSON,
Secretary, Judicial and Legislative Department.

(*Mr. Kinnaird.*)

Ordered, by The House of Commons, to be Printed,
30 April 1868.

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COPIES of PAPERS showing the present position of the Question of a CONTRACT LAW for *India* ; and, of all REPORTS of the INDIAN LAW COMMISSIONERS on the subject of CONTRACTS.

— No. 1. —

Indian Law Commissioners to the Under Secretary of State for *India*.

Indian Law Commission, 20, Abingdon Street,
31 July 1866.

Sir,

I AM directed by the Indian Law Commissioners to transmit their Second Report on the Substantive Law of India.

The Under Secretary of State
for India.

I have, &c.
(signed) *W. Macpherson.*

SECOND REPORT.

TO THE QUEEN'S MOST EXCELLENT MAJESTY.

WE, Your Majesty's Commissioners appointed to prepare a body of substantive law for India, have, since we made our First Report, applied ourselves principally to the subject of contract, which affords the most frequent occasion for litigation in all parts of that country, and on which we are satisfied that a law can be framed applicable to the whole population. The need of such law is manifest on a view of the existing state of things; which, in general terms, may be described by saying that, within the limits of the Presidency towns, the decision of suits of this nature is practically governed by the law of England, and that everywhere else the judge is to a great extent without the guidance of any positive law beyond the rule that his decision shall be such as he deems to be in accordance with "justice, equity, and good conscience."

It is essential that this large subject should be so treated that the rules of the several branches into which it divides itself shall form a consistent system. But we do not think it necessary or expedient to refrain on this account from following, with respect to those branches, the course recommended to us by Your Majesty's Secretary of State for India on our appointment, of submitting, as the progress of our labours might enable us to frame them, successive reports on the several departments of law. Accordingly we now humbly submit to Your Majesty rules of law which we have prepared on the subject of Contracts in general, of the Sale of Moveable Property, of Indemnity and Guarantee, of Bailment, of Agency, and of Partnership. The early enactment of these rules appears to us to be very advisable.

In framing them we have deemed it expedient to depart, more or less, from the English law in several particulars; of which we proceed to specify the most important.

In accordance with the principles upon which we prepared the rules of succession, we have not thought it necessary to place married women under any disability to contract.

We have not adopted, in framing these rules, the provisions of the English Statute of Frauds, which require certain contracts to be in writing. Those provisions are not of unquestionable expediency even in England; and we think

that they are not suited to the habits and present condition of the people of India.

We have considered whether it would be expedient to render binding in law promises made without consideration. By the English law, such promises are held to be binding only when expressed in writings under seal. We have not recognised any distinction between writings under seal and writings not under seal, but we think that in order to give validity to promises made without consideration, it ought to appear that they were made with due deliberation. In order to attain this object, we propose that such promises shall be binding only when they are given in writing, and are registered with the permission of the promisor, according to the provisions of the law for the time being in force for the registration of assurances.

s. 32.

By the English law, a promise by a creditor to give time for the payment of an existing debt, or the acceptance by him, in full satisfaction of his demand, of a smaller sum than that which is due to him, is not binding on him unless there has been some new consideration given for it, such as an undertaking to give an additional or different security, or to pay the debt in a manner or at a time more advantageous to the creditor than that originally agreed upon; or unless the creditor's engagement to take less than his due, or to give time, be contained in a composition deed or agreement entered into by the debtor with his creditors generally; but a slight variation of the terms of the contract will satisfy these conditions. We have provided that a person who is entitled to claim performance of an engagement may dispense with or remit such performance wholly or in part, or may accept instead of it any satisfaction which he thinks fit.

s. 52.

We propose that the extraordinary remedy of an order for Specific Performance should be restricted to the case of engagements for the creation or transfer of any interest in immovable property, or for the delivery of any specific article of moveable property. We have not, however, thought it right to include in the former category agreements to cultivate land in a particular manner or to grow particular crops; and we have provided that Injunctions shall not be granted to restrain the breach of engagements relating to the cultivation of land or the growing of particular crops.

With regard to goods sold by a person who has no right to sell them, the general rule of English law is, that the owner of the goods retains the ownership notwithstanding his having lost the possession of them, and their having been sold to a third person. But from this rule there is an exception in the case of goods sold in open market, an expression which, by the custom of London, applies to every shop within the city.

It cannot be denied that the subject is difficult. We have to consider, on one hand, the hardship suffered by an innocent person who loses in this way his right to recover what was his undoubted property. But, on the other hand, still greater weight appears to us to be due to the hardship which a *bond fide* purchaser would suffer were he to be deprived of what he bought. The former is very often justly chargeable with remissness or negligence in the custody of the property. The conduct of the latter has been blameless. The balance of equitable consideration is therefore on the side of a rule favourable to the purchaser; and we think that sound policy with respect to the interests of commerce point to the same conclusion.

s. 80.

We have therefore provided that the ownership of goods may be acquired by buying them from any person who is in possession of them, if the buyer acts in good faith, and under circumstances which are not such as to raise a reasonable presumption that the person in possession has no right to sell them.

ss. 80 and 176.

Similar provisions have been inserted—in accordance, we may observe, with the spirit of the Factors' Act—to meet the cases of those who have purchased goods or taken them by way of pledge from persons in possession of any documentary title to the goods, where the circumstances are not such as to raise a reasonable presumption that the person in possession of the document has no right to sell or to pledge the goods.

It would seem that by the English law if a buyer, or any person claiming under him, is by reason of the invalidity of the seller's title deprived of the thing sold, he cannot claim compensation from the seller for loss thereby caused. We propose that in such cases the seller shall be responsible, unless a contrary intention appears by the agreement.

In order to avoid the litigation which arises under the English law on the subject

subject of the distinction between penalty and liquidated damages, where the contract contains a stipulation that a specified sum shall be paid in case of its breach, we propose that the rule of law shall have no regard to that distinction, but simply require payment of the specified sum.

In dealing with the law of Suretyship, we have not thought it right to recognise a transaction so complicated, and tending so much to the unfair devolution of liability on the surety, as that by which a creditor who makes a composition with, or agrees to give time to, or not to sue, the principal, may yet reserve his rights and remedies against the surety. By the rule which we propose, an agreement between the creditor and the principal, by which the creditor makes a composition with, or agrees to give time to, the principal, or not to sue him, will discharge the surety; no exception being made in favour of the creditor in the case where he has endeavoured to reserve his rights and remedies against the surety. From a wish to avoid subtleties, and the attaching of unforeseen consequences to men's actions, we have provided that where there are co-sureties, a release of one of them by the creditor shall not discharge the others, nor free that one from responsibility to them. s. 134. s. 137.

Adopting a provision of the French and Italian codes, we propose that the surety shall be discharged by any act or omission of the creditor, only in case the eventual remedy of the surety against the principal is thereby impaired. We also propose to enact that where upon the face of an agreement two persons are primarily liable to a third person, that liability shall not be affected so far as regards the third person by an arrangement between the two, that one of them shall be liable only upon the default of the other, even although such arrangement may have been known to the third person, unless he was a party to the arrangement. In this we adhere to the old and simple doctrine of the common law, rejecting the qualifications introduced by Courts of Equity. s. 138.

In our rules on the subject of Bailment we have discarded the complicated system of gradation which the English law applies to the amount of care which a bailee is to be expected to exercise, and the responsibility which is to attach to him; and we have framed our proposed law on the principle, that in all cases of bailment the bailee is bound to take as much care of the goods bailed to him as a man of ordinary prudence would take of his own goods, and that more should not be required of him in any case.

We have endeavoured to improve the law applicable to the case where the bailor's goods have, without the consent of the bailor, been mixed up with the goods of the bailee, so that they cannot be separated. The remedy which our rule provides is, that the bailor shall be entitled to receive compensation for the loss of his goods, which seems more expedient than the provision of the English law, that the whole shall go indiscriminately to the person whose goods have been mixed without his consent.

We have provided that a continuing guarantee given by, to, or for a firm, shall not be rendered invalid by a change in the firm.

In regulating the devolution of rights and liabilities, we propose, in accordance with the rule of English Courts of Equity and of the Indian Code of Civil Procedure, that joint liabilities and rights shall, after the death of one of the persons liable or entitled, go to his representative jointly with the survivor, and after the death of the survivor to the representatives of both jointly. ss. 43 and 45.

We propose to lay it down that a person with whom a contract has been entered into in the character of agent is not entitled to require the performance of it, if he was in reality acting, not as agent, but on his own account.

In defining the responsibility of a master for the misconduct of his servant, we have stopped a little short of the limits assigned to it by the English law. We think that the responsibility ought to cease as soon as the misconduct assumes the character of intentional wrong-doing. 223.

According to the English law, when there is any partnership property, the separate property of any partner must be employed first in the payment of his separate debts, and the surplus, if any, in the payment of the partnership debts; but when there is no partnership property, the separate property of any partner must be applied equally to the payment of all the partnership and separate debts for which such partner is liable. It thus depends upon the existence or non-existence of partnership property, no matter how small in amount, which of the two rules is to govern the division of the separate property of the partners. We have

have thought it right so to frame the law that the rule first stated, which is more equitable, shall prevail, whether there is any partnership property or not. The principle on which we proceed is that of having regard to the views of the creditor in giving the credit. In contracts with a firm, partnership property is primarily looked to; in dealings with a partner with which the firm has nothing to do, all that is looked to is his own sufficiency.

s. 262.

Adopting a rule which is to be found in the German and the Italian commercial codes, we propose that every person introduced as a partner into a pre-existing firm shall be subject to all the obligations incurred by the firm before he was introduced.

We have adopted, with such verbal alterations as were necessary to bring them into harmony with the language of our rules, the provisions of a law lately passed by the Indian Legislature, Act XV. of 1866, for relieving those who participate in the profits of a partnership without being really partners, from becoming liable for the engagements of the firm.

The Indian Legislature has recently passed an Act (X. of 1866) for regulating joint-stock companies, which appears to be in effect an extension to India of the English code as embodied in the Joint Companies Act of 1862. We have abstained for the present from entering upon the consideration of this subject.

We have to repeat the expression of our hope, conveyed in our last Report, that if the rules submitted by us to Your Majesty shall be enacted as law, those whose duty it may be to administer justice under them, will not resort to any other system of law for an authoritative solution of an ambiguity or supply of an omission, but will in such cases be entirely guided by regard to justice, equity, and good conscience.

CONTRACT.

1. A contract is an agreement between parties whereby a party engages to do a thing or engages not to do a thing.

A contract may contain several engagements; and they may be either by the same party or by different parties.

A contract may be expressed or implied, or partly expressed and partly implied.

A contract or part of a contract may be expressed either orally or by writing.

A contract or part of a contract is said to be implied when it is to be inferred from the circumstances of the case; and things spoken or written, or the ordinary course of dealing, may be accounted circumstances of the case.

Illustrations.

(a.) A. orally agrees with B. to buy of him at a certain price 500 maunds of rice. This is a contract expressed orally.

(b.) A. orders of B., by writing, 500 maunds of rice at a certain price. B. by writing accepts the order. This is a contract expressed by writing.

(c.) A. orally agrees with B. to buy of him 500 maunds of rice at a price to be fixed afterwards. The price is afterwards fixed by correspondence between A. and B. This is a contract expressed in part orally and in part by writing.

(d.) A. orally orders B., a tailor, to make him a coat. B. accepts the order. The contract thus made contains an implied engagement by B. that the coat to be made for A. shall be of suitable materials, and shall fit A.; and an implied engagement by A. that he will accept the coat, and will pay for it, if within a reasonable time it shall be so made.

(e.) A., by writing, orders of B. 500 maunds of the best rice, lying in his godowns. B. accepts the order. There is an implied engagement on A.'s part to pay a reasonable price for the rice.

2. Every person who is of the age of majority according to the law to which he is subject, and who is of sound mind, may enter into a contract.

Explanation 1.—Persons who are deaf, or dumb, or blind, are not thereby incapacitated for entering into a contract if they are able to know what they do by it.

Explanation 2.—One who is ordinarily insane may make a contract during an interval in which he is of sound mind.

Explanation

Explanation 3.—No person can enter into a contract while he is in such a state of mind, whether arising from drunkenness, or from illness, or from any other cause, that he does not know what he is doing.

3. A proposal to enter into a contract may be retracted, or the terms of it altered by the party making it, at any time before it is accepted.

Explanation.—A proposal is said to be accepted when an expressed acceptance of it has been communicated to the proposer; or when a letter of acceptance is posted or a telegraphic message of acceptance is delivered at a proper office, and the acceptance by letter or telegram is not cancelled by some communication which reaches the proposer before or at the same time with the letter or telegram of acceptance; or when acceptance is to be inferred from the circumstances of the case.

Illustration.

A. sends goods to B. for sale or return. B. sells the goods to C. B. has accepted the goods.

4. A proposal does not bind the party making it, unless it be accepted within the time prescribed for its acceptance, or, if no time is prescribed, within a reasonable time.

5. Any engagement which a contracting party has been induced to form by deceit or coercion, or by such influence as impedes or interferes with the freedom of his agency, renders the contract voidable at the option of that party.

Explanation 1.—Deceit may be practised on a person, not only by intentionally inducing him to believe what is not true, but by intentionally concealing truth from him.

Explanation 2.—In order to enable a party to annul a contract by reason of deceit, it must appear, where a false representation has been made, that he relied on the representation; and where the truth has been concealed, that he had not the means with ordinary diligence of discovering the truth.

Illustrations.

(a.) A., intending to deceive B., falsely represents that 500 maunds of indigo are made annually at A.'s factory, and thereby induces B. to buy the factory. The contract is voidable.

(b.) A., in order to deceive B., falsely informs him that 500 maunds of indigo are made annually at A.'s factory. B., not relying on this statement, examines the accounts of the factory, which show that only 400 maunds of indigo have been made. After this B. buys the factory. The contract is not voidable on account of A.'s mis-statement.

(c.) B. having discovered a vein of coal on A.'s estate, does not communicate that circumstance to A., and buys the estate at a price fixed by A., in ignorance of the existence of the coal. The sale is not voidable on account of B.'s conduct.

(d.) B. having discovered a vein of ore on the estate of A., adopts means to conceal and does conceal from A. the existence of the ore, so that A. cannot with ordinary diligence discern its existence. Through A.'s ignorance B. is enabled to buy the estate at an under-value. The sale is voidable.

(e.) A. is entitled to succeed to an estate at the death of B. B. dies. C., having received intelligence of B.'s death, conceals the fact from A., and induces A. to sell him his interest in the estate. The sale is voidable.

(f.) B., by deceit, induces A. to enter into an engagement with B. for the benefit of C., who is not privy to the deceit. The engagement is voidable.

(g.) A., a young female who has resided during her minority in the family of B., her guardian, continues to reside with him after attaining majority, and is induced, by means of his influence, to enter into a contract with him which is disadvantageous to herself. The contract is voidable.

6. A person who, either knowingly or ignorantly, makes a false representation whereby he induces another to enter into a contract with him, is bound to place the other in the same position as if the representation had been true, and in default of his doing so the contract is voidable at the option of the person who has been misled.

Explanation.—Where a party's consent to an engagement by contract has been given through a mistake as to the substance of the thing which is the sub-

ject of the engagement, and the mistake was occasioned, however innocently, by the other party, this has the same effect as a false representation.

Illustrations.

(a.) A. informs B. that A.'s estate is exempt from the payment of revenue to Government; B. thereupon buys the estate. It turns out that the estate is not exempt from the payment of revenue, and that such exemption cannot be obtained. The sale is voidable.

(b.) A. informs B. that A.'s estate is within a mile of the town of Ramnuggur; B. thereupon buys the estate. The estate is found to be two miles from the town. The sale is voidable.

(c.) A. informs B. that A.'s estate is free from incumbrance; B. thereupon buys the estate. It turns out that the estate is subject to a mortgage. A. must redeem the mortgage; or if he cannot do so the contract is voidable.

(d.) A. and B. are partners in a mercantile business. A. is the managing partner, B. is ignorant of the state of the business. A. and B., in order to induce C. to become a partner with them, show him a statement of the affairs of the partnership, which is wrong by a large amount. C., relying upon the statement, joins the firm, and for several years does not discover the falsity of the statement. The contract of partnership is voidable at the option of C.

7. Where both the parties to an engagement by contract are under a mistake as to a matter of fact essential to the engagement, the engagement is void.

Explanation.—An erroneous opinion as to the value of the thing which forms the subject-matter of the contract, is not to be considered a mistake as to a matter of fact.

Illustrations.

(a.) A. agrees to sell to B. a cargo of goods, supposed to be on its way from England to Bombay. It turns out that before the day of the bargain the ship conveying the cargo had been cast away and the goods lost. Neither party was aware of these facts. The contract is void.

(b.) A. buys of B. a certain horse. It turns out that the horse was dead at the time of the bargain, though neither party was aware of the fact. The sale is void.

(c.) A., being entitled to an estate for the life of B., agrees to sell it to C. B. was dead at the time of the contract, but both parties were ignorant of the fact. The contract is void.

8. The validity of a contract is not affected by the circumstance that a party was at the time of making it under a mistake of law.

Explanation.—A mistake in respect of a law not in force in India has the legal consequences of a mistake, not of law, but of fact.

Illustration.

A. owes to B. a debt, the payment of which at a fixed time is guaranteed by C. B. contracts with A. to give time to A., C. not assenting to the arrangement. B. is not aware at the time of entering into this contract, that its legal effect will be to discharge C. from liability under his guarantee. B. is nevertheless bound by his contract to give time to A.

9. The subject of every contract must be certain, or capable of being made certain.

Illustrations.

(a.) A. agrees to sell to B. "100 tons of oil," the kind of oil not being specified or in any way indicated. The contract is void for uncertainty.

(b.) A. agrees to sell to B. 100 tons of oil of a specified description, known as an article of commerce. There is no uncertainty here to prevent the contract from being valid.

(c.) A., who is a dealer in cocoa-nut oil only, agrees to sell to B. "100 tons of oil." The nature of A.'s trade affords an indication of the meaning of the words, and A. has entered into a contract for the sale of 100 tons of cocoa-nut oil.

(d.) A. agrees to sell to B. "all the grain in his granary at Ramnuggur." There is no uncertainty here to prevent the contract from being valid.

(e.) A. agrees to sell to B. 1,000 maunds of rice at a price to be fixed by C. The subject of the contract is capable of being made certain, and there is no uncertainty here to prevent the contract from being valid.

10. In order to the validity of an engagement by contract, there must be a lawful object and a good consideration.

First Exception.—A person who makes a promise, whether upon good consideration or not, is bound to perform it if the promise be expressed in writing and duly registered according to the provisions of the law for the time being in force for the registration of assurances, unless the promise is unlawful or is based on an unlawful consideration.

Second Exception.—A person who makes an express promise without good consideration is bound to perform it, if it be a promise to compensate wholly or in part a person who has already voluntarily done something which the person who makes the promise was legally compellable to do; or if it be a promise to pay wholly or in part a debt which the creditor is legally entitled to receive from the person who makes the promise, but of which by reason of the law for the limitation of suits he cannot enforce payment.

Explanation 1.—A good consideration must be lawful.

Explanation 2.—An object, a consideration, or a promise is said to be lawful when it is not contrary to law or to morality.

Explanation 3.—A good consideration must be something which at the desire of the person entering into the engagement another person has done or abstained from doing, or does or abstains from doing, or promises to do or to abstain from doing.

Illustrations.

(a.) A. engages by contract with B. to sell his house to B. for 10,000 rupees. Here there is an engagement by A. to B., and an engagement by B. to A., and these engagements are valid, there being in each case a lawful object, and a good consideration.

(b.) A. agrees to sell his house at Ramnugger to B. for 10,000 rupees. Here the promise to pay the sum of 10,000 rupees is the consideration for A.'s entering into the contract; and the promise to convey the house is the consideration for B.'s entering into the contract. These are good considerations.

(c.) A. engages to pay B. 1,000 rupees at the end of six months if C., who owes that sum to B., fails to pay it. B. engages to grant time to C. accordingly. Here the engagement of each party is the consideration for the engagement of the other party; and they are good considerations.

(d.) A. engages, for a certain sum paid to him by B., to make good to B. the value of his ship, if it shall perish by shipwreck on a certain voyage. Here A.'s promise is the consideration for B.'s payment, and B.'s payment is the consideration for A.'s promise; and these are good considerations.

(e.) A. engages to maintain B.'s child, and B. engages to pay A. 1,000 rupees yearly for the purpose. Here the engagement of each party is the consideration for the engagement of the other party. They are good considerations.

(f.) A., B., and C. enter into a contract for the division among them of gains acquired or to be acquired by them by fraud. The contract is void.

(g.) A. undertakes to obtain for B. an employment in the public service, and B. agrees to pay 1,000 rupees to A. The contract is void, as the consideration for it is illegal.

(h.) A., being agent for a landed proprietor, agrees, for money, without the knowledge of his principal, to obtain for B. a lease of land belonging to his principal. The contract between A. and B. is void, being contrary to A.'s duty as agent.

(i.) A. engages with B. to drop a prosecution which he has instituted against B. for robbery, and B. engages to restore the value of the things taken. The contract is void.

(j.) A.'s estate is sold for arrears of revenue under the provisions of an Act of the Legislature, by which the defaulter is prohibited from purchasing the estate. B. upon an understanding with A. becomes the purchaser, and agrees to convey the estate to A. upon receiving from him the price which B. has paid. B.'s engagement is void, as it renders the transaction in effect a purchase by the defaulter.

(k.) A. engages to superintend on behalf of B. a legal manufacture of indigo and an illegal traffic in other articles. B. enters into an engagement to pay to A. a salary of 10,000 rupees a year. B.'s engagement is void, the consideration being in part unlawful.

(l.) A. voluntarily pays B. a sum of money which is due to B. from C. Afterwards C. promises to reimburse A. C. is bound to perform the promise.

11. An engagement by contract may be made to take effect only in case a specified uncertain event shall happen. The event may be the performance of something that constitutes the consideration or part of the consideration for the engagement, or it may be an event distinct from such performance.

Illustrations.

(a.) A. sells goods to B. for a fixed price and engages to deliver them to him on receiving payment in full. A.'s engagement to deliver the goods does not become absolute until B. pays or tenders to him the price.

(b.) A. sells goods to B. for a fixed price, to be paid by instalments; and engages to deliver

deliver them to him on receiving payment of the first instalment. A.'s engagement to deliver the goods does not become absolute until B. pays or tenders to him the first instalment.

(c.) A. enters into an engagement by contract with B. to buy B.'s house for 10,000 rupees if A. shall survive C. A.'s engagement does not become absolute until C. dies, leaving A. surviving him.

(d.) A. enters into an engagement by contract with B. to sell a horse to B. at a specified price in case C., to whom the horse has been offered, shall refuse to buy it. A.'s engagement does not become absolute until C. refuses to buy the horse.

12. An engagement by contract which is intended to take effect only in case a specified uncertain event shall not happen, does not become absolute until the happening of that event becomes impossible.

13. Where an engagement by contract is intended to take effect only in case a specified uncertain event shall happen within a fixed time, and the time expires without the event having occurred, the engagement becomes void. Where no time has been fixed for the happening of the event the engagement becomes void as soon as it is ascertained that the event will not happen.

Illustrations.

(a.) A. enters into an engagement by contract to pay B. a sum of money if a certain ship shall return within a year from the time of the contract. The year elapses without the ship having returned. The engagement becomes void.

(b.) A. enters into an engagement by contract to pay B. a certain sum of money if C. shall leave a son surviving him. C. dies, not leaving a son surviving him. The engagement becomes void.

14. Where an engagement by contract is intended to take effect in case a specified event shall not happen within a fixed time, the engagement does not become absolute until the time has expired without the event having occurred, or until before the time fixed, it is ascertained that the event will not occur. Where no time has been fixed the engagement becomes absolute as soon as it is ascertained that the event will not happen.

Illustrations.

(a.) A. enters into an engagement by contract to pay B. a sum of money if a certain ship shall not return within a year. At the end of six months it is ascertained that the ship has been lost. The engagement has become absolute.

(b.) A. enters into an engagement by contract to pay B. a sum of money if a certain ship shall not return. It is ascertained that the ship has been lost. The engagement has become absolute.

15. Where the order in which different engagements are to be performed is not expressly fixed by the contract, it shall be that order which the nature of the transaction requires.

Illustrations.

(a.) A. enters into an engagement by contract to build a house for B. at a fixed price. B. engages to pay the price. B.'s engagement does not become absolute until A. finishes the house.

(b.) A., a tradesman, enters into an engagement by contract to make over his stock in trade to B. at a fixed price, and B. engages to give security for the payment of the money. A.'s engagement does not become absolute until the security is given; for the essence of the engagement is, that A. should have security before he delivers up his stock.

16. Where one of two engagements by contract has been entered into in consideration of the other, and a time is appointed for the performance of one of them, which time is to arrive before the reciprocal engagement can be performed, the latter does not become absolute until the former has been performed.

Illustrations.

(a.) A. contracts with B. to sell to him at a specified price certain merchandise on board a ship which cannot arrive for a month, and B. engages to pay for the merchandise within a week from the date of the contract. A.'s engagement does not become absolute until B.'s engagement has been fulfilled.

(b.) A. contracts with B. to sell him 100 bales of merchandise to be delivered next day, and B. engages to pay for them within a month. B.'s engagement does not become absolute until the merchandise has been delivered to him.

17. The parties to a contract are bound to afford to each other all reasonable facilities for performing their engagements.

18. Where an engagement by contract is intended to take effect on the happening of an event, and the party who has entered into the engagement prevents the happening of the event, he becomes liable to perform the engagement, or to make compensation to the other party, for any loss which he may have sustained in consequence of its non-performance.

Illustration.

A. engages to pay 1,000 rupees to B., provided that B. shall execute certain work for him; and B. engages to execute the work. B. is ready and willing to execute the work accordingly, but A. prevents him from doing so. A.'s engagement has become absolute.

19. When a person having entered into an engagement by contract with another fails to do an act which he is bound by law to do, and which is necessary to enable the other to perform his part of the contract, the party who has failed to do such act is liable to make compensation to the other party for any loss or damage which he may have sustained in consequence of the non-performance of it.

Illustrations.

(a.) A. hires B.'s ship to take in and convey from Calcutta to the Mauritius a cargo to be provided by A., B. receiving a certain freight for its conveyance. A. does not provide any cargo for the ship. A. must make compensation to B. for his failure.

(b.) A. enters into an engagement by contract with B. to execute certain builders' work, for a fixed price, B. supplying the scaffolding and timber necessary for the work. B. refuses to furnish any scaffolding or timber, and the work cannot be executed. B. is bound to make compensation to A. for any loss.

20. When there are mutual engagements by contract, and one of them is an entire and indivisible engagement by contract for the doing of a particular thing by a fixed time, time is of the essence of the contract, and unless the thing be done at the stipulated time the reciprocal engagement, if any, does not become absolute.

21. Where there are mutual engagements by contract, and one of them is an engagement for the doing of several things at different times, and the things stipulated are done, but not at the times specified, this irregularity does not prevent the reciprocal engagement from becoming absolute, but the person who entered into the latter engagement is entitled to compensation for any loss which he may have sustained in consequence of the irregularity.

22. When an engagement by contract is conditional, and the condition fails to be fulfilled, the engagement becomes void.

Illustration.

A. engages to pay 10,000 rupees to B. if he will marry A.'s daughter. A.'s daughter was dead at the date of the engagement. The condition cannot be fulfilled, and the engagement is void.

23. An engagement by contract may be made with the condition superadded, that it shall be terminated or varied in case a specified uncertain event shall happen; or that it shall be terminated or varied in case a specified uncertain event shall not happen.

24. A condition of the kind described in the last preceding section is invalid, and does not affect the engagement to which it is superadded, if at the time of the contract the event is impossible, or if it is repugnant to law or morality, or inconsistent with the main purpose of the contract.

25. An engagement to which is superadded a condition of the kind described in Section 23 becomes void if the fulfilment of the condition is, subsequently to the contract, rendered unlawful, or is made impossible by some unforeseen event which the person who entered into the engagement could not prevent.

Illustrations.

(a.) A. engages to pay B. 5,000 rupees, provided that the engagement shall be void if A. takes in cargo for B. at a certain port. The Government afterwards declares war against the

the country in which the port is situated, so that A. cannot trade there. The engagement becomes void.

(b.) A., a singer, who has undertaken to sing at B.'s theatre, engages to pay B. 20,000 rupees, provided that the engagement shall be void if A. sings at B.'s theatre on a certain number of nights in the month of June. A. before June loses his voice through illness. The engagement to pay 20,000 rupees becomes void.

26. Where an engagement by contract is made with a condition superadded, that it shall be terminated or varied unless a certain person shall perform a specified act, but no time is specified for the performance of the Act; if such person takes any step which renders impossible or indefinitely postpones the performance of the act required, the engagement shall be terminated or varied as if such person had died without performing the Act.

27. If a condition of the kind described in Section 23 consists in doing one or the other of two things, and one of them is unlawful or impossible, the condition can only be fulfilled by doing the other.

Illustration.

A. engages by contract to pay B. a fixed sum, provided that if A. delivers to B. on a certain future day either 20 maunds of the finest rice, or a certain quantity of opium to be obtained contrary to law, the engagement shall be void. The condition cannot be fulfilled otherwise than by the delivery of 20 maunds of the finest rice.

28. A person who fails to do an act which he has engaged by contract to do, shall make compensation to the person in whose favour the act was to be done.

Exception.—A man incurs no liability through the non-performance of an act which he has engaged by contract to do, where, since the date of the contract, the performance of the act has been rendered unlawful, or has been made impossible by some event of which he did not, expressly or by implication, take upon himself the risk.

Illustrations

(a.) A. engages to deliver to B. at a certain price, at a specified time and place, a cargo of merchandise then at sea in his ship. The ship is afterwards lost at sea, with all its cargo. A. is liable to make compensation to B. for the non-performance of his engagement.

(b.) A. freighted B.'s ship to proceed to the Island of Ichaboe, and there to take in a cargo of guano, to be supplied by A., and to convey it to a certain port. The guano at Ichaboe was entirely exhausted before the ship arrived, and it was impossible for A. to supply a cargo. A. must make compensation to B. for the non-performance of his engagement.

(c.) A., the owner of a music hall, agrees to let B. have the use of it for four days in June for the purpose of giving concerts in it; B. to pay 1,000 rupees a day. On the 30th of May the hall is accidentally destroyed by fire without the fault of either party. Neither party is bound to make compensation for the non-performance of the act which he engaged by the contract to do.

(d.) A., a painter, enters into an engagement to paint a picture for B. A. becomes blind. A. is not liable to make compensation to B. for not painting the picture.

(e.) A. engages to take in cargo at a certain port. The Government afterwards declares war against the country in which the port is situated, so that A. cannot trade there. He is not bound to make compensation for failure to take in cargo at the specified port.

29. For the purpose of determining questions as to the meaning of a contract, a court must inquire into every material fact relating to the situation of the parties to, or the subject matter of such contract, and into every fact a knowledge of which may conduce to the right application of the words which the contracting parties have used.

30. An engagement by contract must be performed by the person who has entered into it, unless its nature be such that it can be properly performed by another, in which case he may employ a competent person to perform it; or if he dies before performance, his representatives may perform it, or employ a competent person to do so.

Illustrations.

(a.) A. engages to pay B. a sum of money. He may perform this engagement, either by personally paying the money to B., or by causing it to be paid to B. by another; and if A. dies

A. dies before the time appointed for payment, his representatives may perform the engagement.

(b.) A engages to paint a picture for B. This engagement cannot be performed except by A.'s painting the picture himself.

31. Where a person who is entitled to claim from another the performance of an engagement accepts such performance from a third person, he cannot afterwards enforce it against the person who entered into the engagement.

32. A person who is entitled to claim performance of an engagement may dispense with or remit such performance, wholly or in part, or may accept instead of it any satisfaction which he thinks fit.

Illustrations.

(a.) A. engages to paint a picture for B. B. afterwards expressly forbids him to do so. A. is no longer bound to perform the engagement.

(b.) A. owes B. 5,000 rupees. By agreement A. pays to B. and B. accepts, in satisfaction of the whole debt, 2,000 rupees paid at the time and place at which the 5,000 rupees were payable. The whole debt is discharged.

(c.) A. owes B. 5,000 rupees. C. pays to B. 1,000 rupees, and B. accepts them in satisfaction of his claim on A. This payment is a discharge of the whole claim.

(d.) A. owes B., under a contract, a sum of money, the amount of which has not been ascertained. A., without ascertaining the amount, gives to B., and B., in satisfaction thereof, accepts the sum of 2,000 rupees. This is a discharge of the whole debt, whatever may be its amount.

(e.) A. owes B. 2,000 rupees, and is also indebted to other creditors. A. makes an arrangement with his creditors, including B., to pay them a composition of 8 annas in the rupee upon their respective demands. Payment to B. of 1,000 rupees is a discharge of B.'s demand.

33. If a person who is entitled to claim the performance of an engagement by contract accepts a new and distinct contract by way of substitution for the existing one, the original engagement is no longer in force.

Illustrations.

(a.) A. owes money to B. under a contract. It is agreed between A., B., and C. that B. shall thenceforth accept C. as his debtor instead of A. The old debt of A. to B. is at an end, and a new debt from C. to B. has been contracted.

(b.) A. owes B. 10,000 rupees. A. enters into an arrangement with B. and gives him a mortgage of A.'s estate for 5,000 rupees in place of the debt of 10,000 rupees. This is a new contract.

(c.) A. and B. have mercantile transactions with each other, and A. thereby becomes indebted to B. in the sum of 10,000 rupees, for which B. holds no security. Afterwards A. executes a bond in favour of B. to secure the payment of the sum due to him. The execution of this bond does not constitute a new and distinct contract.

(d.) A. owes B. 1,000 rupees under a contract; B. owes C. 1,000 rupees. B. orders A. to pay 1,000 rupees to C. C. does not assent to the arrangement. B. still owes C. 1,000 rupees, and no new contract has been entered into.

34. Where by the contract a person is to perform his engagement without application by the person with whom he made the engagement, and no time for performance is specified, the engagement must be performed within a reasonable time.

Explanation.—The question what is a reasonable time is in each particular case a question of fact.

Illustrations.

(a.) A. sells fresh provisions to B., to be delivered by A. to B. No time for delivery is specified. After the lapse of a week A. tenders the provisions to B. B. need not accept them, as the offer was not made within a reasonable time.

(b.) B. orders A., a tailor, to make and to send him a coat. A. sends home the coat after the lapse of two months. B. need not accept it, as the delivery was not made within a reasonable time.

(c.) A., a bookseller in Calcutta, sells to B. a book, to be delivered to B. at his residence in Calcutta. A. afterwards casually hears a false report, that B. is absent from Calcutta, and without taking any means to inform himself as to the correctness of the report, neglects for three months to deliver the book, and at the end of that time sends it to B.'s residence. B. need not accept the book, as delivery was not made within a reasonable time.

35. When an engagement is to be performed on a certain day, and the person entering into the engagement has undertaken to perform it without application, he has the whole of that day to perform the engagement in; subject to this qualification, that the person who is to receive performance is not bound to receive it before or after the usual hours of business, or at any other place than that at which the engagement ought to be performed.

Illustration.

A. engages to deliver goods at B.'s warehouse on the 1st January. On that day A. brings the goods to B.'s warehouse, but after the usual hour for closing it, and they are not received. A. has not performed his engagement.

36. When the engagement is to be performed on a certain day, and the person entering into the engagement has not undertaken to perform it without application, it is the duty of the person in whose favour the engagement is made, to apply for performance at a proper time and place.

Explanation.—The question what is a proper time and place is in each particular case a question of fact.

37. Where an engagement is to be performed without application, and no place is fixed for the performance of it, the person bound by the engagement must perform it at any reasonable place which the person with whom the engagement was made may appoint.

Illustration.

A. undertakes to pay B. 1,000 rupees on a fixed day. A. must apply to B. to appoint a reasonable place for the purpose of receiving it, and B. must pay it to him at such place.

38. The performance is valid if made in any manner or at any time which the person entitled to claim performance may have prescribed, or may have subsequently sanctioned.

Illustrations.

(a.) B. owes A. 2,000 rupees. A. desires B. to pay the amount to A.'s account with C. a banker. B., who also banks with C., orders the amount to be transferred from his account to A.'s credit, and this is done by C. Afterwards, and before A. knows of this, C. fails. This is a good payment by B.

(b.) A. and B. are mutually indebted. A. and B. settle an account by setting off one item against another, and B. pays A. the balance found to be due from him upon such settlement. This amounts to a payment by A. and B. respectively of the sums which they owed to each other.

(c.) A. owes B. 2,000 rupees. A. and B. agree that B. shall receive some of A.'s goods in reduction of the debt. The delivery of the goods operates as a part payment.

(d.) A. owes B. 2,000 rupees. A. gives to B., and B. accepts, a cheque for that amount drawn by A. This operates as payment, provided the cheque be duly paid.

(e.) A. desires B., who owes him a sum of money, to remit the amount of his debt by post. The debt is discharged as soon as B. puts into the post a letter containing the money, duly addressed to A.

39. Where a man owing several distinct debts to one person makes a payment to him, either with express intimation, or under circumstances, implying that the payment is to be applied to some particular debt, the payment, if accepted, must be applied accordingly.

Illustrations.

(a.) A. owes B. (among other debts) 1,000 rupees upon a promissory note, which falls due on the 1st June. He owes B. no other debt of that amount. On the 1st June A. pays to B. 1,000 rupees. The payment is to be applied to the discharge of the promissory note.

(b.) A. owes to B. (among other debts) the sum of 567 rupees. B. writes to A. and demands payment of this sum. A. sends to B. 567 rupees. This payment is to be applied to the discharge of the debt of which B. had demanded payment.

40. Where the debtor has omitted to intimate to which debt the payment is to be applied, the creditor is at liberty to apply it at his discretion to any lawful debt actually due and payable to him from the payer, on giving notice thereof to the payer within a reasonable time.

41. Where neither party makes any appropriation, the payment shall be applied in discharge of the debts in order of time. If they are of equal standing, the payment shall be applied in discharge of each proportionately.

42. Were

42. Where a person who has come under an engagement to another has made him an offer of performance, and the offer has not been accepted, the person who has made such offer is not responsible for non-performance so caused, nor does he thereby lose his title to claim performance of any reciprocal engagement.

43. In order to constitute a valid offer of performance, the following rules must be observed :—

First. The offer must be made at a proper time and place, and under such circumstances that the person to whom it is made may have a reasonable opportunity of ascertaining whether the thing tendered really is what it purports to be.

Second. The offer must be a tender of the whole thing which the other party to the engagement is entitled to demand.

Third. It must be unconditional.

Fourth. An offer to one of several joint creditors has the same legal consequences as an offer to all of them.

Explanation.—Where the performance of an engagement would involve the production of a certain thing, it is not necessary to the validity of a tender that the thing should actually be produced, if the person entitled to claim performance does not require that it should be produced.

44. When two persons have jointly come under an engagement by contract to a third person, then, unless a contrary intention appears by the contract, the liability to perform the engagement rests, as between them and him, on those two persons during their joint lives, and after the death of either, on his representative jointly with the survivor, and after the death of the survivor, on the representatives of both jointly.

45. As between themselves, persons who have jointly come under an engagement are bound (unless a contrary intention appears by the contract) to bear the burden of its performance equally; and if one of them is unable to bear his share of the burden, the others must make up the deficiency by equal contributions.

Explanation.—This rule is not to prevent a surety from recovering his disbursements from the principal, or to entitle the principal to recover anything from the surety.

Illustrations.

(a.) A., B., and C. are under a joint engagement to pay D. the sum of 3,000 rupees. A. is insolvent, but his assets are sufficient to pay one-half of his debts. A.'s estate pays 500 rupees. B. and C. must pay 1,250 rupees each.

(b.) A., B., and C. are under a joint engagement to pay D. 3,000 rupees, A. and B. being in fact only sureties for C. C. is unable to pay anything, and A. pays the whole. A. is entitled to receive 1,500 rupees from B.

(c.) A., B., and C. are under a joint engagement to pay D. 3,000 rupees, A. and B. being in fact only sureties for C. C. is unable to pay; A. and B. are compelled to pay the whole sum. They are entitled to recover it from C.

46. Where two persons have jointly come under an engagement by contract to a third person, a release by the creditor of one of them does not discharge the other; neither does it free that one from responsibility to the other. See s. 135.

47. When a person has come under an engagement by contract to two other persons jointly, then, unless a contrary intention appears by the contract, the right to claim performance rests (as between him and them) with them during their joint lives, and after the death of either, with his representative jointly with the survivor, and after the death of the survivor, with the representatives of both jointly.

Illustration.

A., in consideration of 5,000 rupees lent to him by B. and C., enters into an engagement by contract with B. and C. to repay them that sum with interest on a day specified. B. dies. The right to claim performance rests with B.'s representative jointly with C., during C.'s life, and after the death of C. with the representatives of B. and C. jointly.

48. When a party to a contract has refused to perform, or disabled himself from performing, his engagement in its entirety, the party who has entered into the reciprocal engagement may put an end to the contract, provided he has not signified, expressly or impliedly, that he acquiesced in its continuance.

Illustrations.

(a). A., a singer, enters into an engagement with B., the manager of a theatre, to sing at his theatre two nights in every week during the next two months, and B. engages to pay her 100 rupees for each night's performance. On the sixth night the singer wilfully absents herself from the theatre. B. is at liberty to put an end to the contract.

(b). A., a singer, enters into an engagement with B., the manager of a theatre, to sing at his theatre two nights in every week, during the next two months; and B. engages to pay her at the rate of 100 rupees for each night. On the sixth night the singer wilfully absents herself. With the assent of B. she sings on the seventh night. B. has signified his acquiescence in the continuance of the contract, and cannot now put an end to it, but is entitled to compensation for the damage sustained by him through her failure.

49. A person who rightfully puts an end to an engagement is entitled to compensation for any damage he has sustained.

50. When a contract has been broken, if a sum is named in the contract itself as the amount to be paid in case of such breach, the amount so named shall be paid accordingly; but if no sum has been named in the contract itself, the party who suffers by such breach is entitled to receive from the party who has broken the contract, compensation for loss or damage caused to him thereby, provided that it has naturally arisen in the usual course of things from such breach, or that it was in the knowledge of the parties at the time they made the contract, that such loss or damage would probably result from the breach of it.

Such compensation is not to be given for any remote and indirect loss or damage sustained by reason of the breach.

Explanation.—In estimating the loss, the means which existed of remedying the inconvenience caused by the non-performance of the engagement must be taken into account.

Illustrations.

(a.) A enters into an engagement by contract, that in case he fails to pay B. 500 rupees on a certain day, he shall immediately become liable to pay him 1,000 rupees. A fails to pay B. 500 rupees on the day named. A. has become liable to pay B. 1,000 rupees.

(b.) A. enters into an engagement by contract, that if he practises as a surgeon in the town of Z., he shall pay B. 5,000 rupees. A. commits a breach of the engagement. The sum of 5,000 rupees is actually payable by A. to B.

(c.) A. agrees to sell and deliver 50 maunds of saltpetre to B. at a certain price, to be paid on delivery. A. breaks his engagement. B. is entitled to receive from A. by way of compensation the sum, if any, by which the contract price falls short of the price for which B. might have obtained 50 maunds of saltpetre of like quality at the time when the saltpetre ought to have been delivered.

(d.) A. hires B.'s ship to go to Bombay, and there take on board on the 1st of January a cargo (which A. is to provide) and to bring it to Calcutta; the freight to be paid when earned. B.'s ship does not go to Bombay, but A. has opportunities of procuring suitable conveyance for the cargo upon terms as advantageous as those on which he had chartered the ship. A. avails himself of those opportunities, but is put to trouble and expense in doing so. A. is entitled to receive compensation from B. in respect of such trouble and expense.

(e.) A. agrees to sell and deliver to B. on the 1st of January, at a stated price, a certain quantity of cotton, to be paid for on delivery. Afterwards, on the 1st December, A. announces to B. that he does not intend to perform his engagement, and on the 1st of January he delivers no cotton to B. B. is entitled to receive from A., by way of compensation, the excess, if any, of price of the like quantity of cotton on the 1st of January over the contract price.

(f.) A. agrees to sell and deliver to B. on the 1st of January a certain quantity of sugar, for which B. pays him in advance. Afterwards, on the 1st of December, A. informs B. that he does not intend to deliver the sugar, and on the 1st of January he does not deliver it. B. is entitled to receive from A. the money paid, together with current mercantile interest, and also by way of compensation, the excess, if any, of the sum for which the sugar could have been procured by him on the 1st of January, over the sum paid in advance.

(g.) A. agrees to buy of B., at a stated price, 50 maunds of rice, no time being fixed for delivery. A. afterwards intimates to B. that he will not accept the rice if tendered to him. B. is entitled to receive from A., by way of compensation, the amount, if any, by which the contract price exceeds that which B. could have obtained for the rice at the time of the refusal.

(h.) A. agrees to buy B.'s ship for 60,000 rupees, but breaks his engagement. A. must pay to B., by way of compensation, the excess, if any, of the contract price over the price which B. can obtain for the ship at the time of the breach of engagement.

(i.) A. agrees to buy of B., at a stated price, 100 bales of jute, to be delivered on the 1st of January. Afterwards, on the 15th of December, A. gives notice to B. that he will not accept the jute; on the 1st January the jute is tendered to A., who refuses to accept it.

A. must

A. must pay to B., by way of compensation, the excess, if any, of the contract price over the sum which B. could obtain for the jute on the 1st of January.

(j.) A., the owner of a boat, enters into an engagement by contract with B. to take a cargo of jute to Mirzapore, for sale at that place, starting on a specified day. The boat does not start at the time appointed, whereby the arrival of the cargo at Mirzapore is delayed beyond the time when it would have arrived if the boat had sailed according to the contract. After that date, and before the arrival of the cargo, the price of jute falls. The measure of the compensation payable to B. by A. is the difference between the price which B. could have obtained for the cargo at Mirzapore at the time when it would have arrived if forwarded in due course, and its market price at the time when it actually arrived.

(k.) A. engages to repair B.'s house in a certain manner, and receives payment in advance. A. repairs the house, but not according to contract. B. is entitled to recover from A. the cost of making the repairs conform to the engagement.

(l.) A. agrees to let his ship to B. for a year, from the 1st of January next, for a certain price. Freight rises, and on the 1st of January the hire obtainable for the ship is higher than the contract price. A. breaks his engagement. He must pay to B., by way of compensation, a sum equal to the difference between the contract price and the hire, which could be obtained for the use of the ship on the 1st of January.

(m.) A. engaged to supply B. with a certain quantity of iron at a fixed price, being a higher price than that for which A. could procure and deliver the iron. B. wrongfully refused to receive the iron. B. must pay to A. by way of compensation the difference between the contract price of the iron and the sum for which A. could have obtained and delivered it.

(n.) A. delivers to B., a common carrier, a machine, to be conveyed, without delay, to A.'s mill, informing B. that his mill is stopped for want of the machine. B. unreasonably delays the delivery of the machine, and A. in consequence loses a profitable contract with the Government. A. is entitled to receive from B., by way of compensation, the average amount of profit which would have been made by the use of such machine during the time that delivery of it was delayed, but not to the loss sustained by not obtaining the Government contract.

(o.) A. having entered into an engagement with B. to supply B. with 1,000 tons of iron at 100 rupees a ton, to be delivered at a stated time, enters into an agreement with C. for the purchase of a certain quantity of iron at 80 rupees a ton, telling C. that he does so for the purpose of performing his engagement with B. C. fails to fulfil his engagement with A., who cannot procure other iron, and, in consequence, fails to fulfil his engagement with B. C. must pay to A. 20,000 rupees, being the profit which A. would have made by the performance of his engagement.

(p.) A. entered into an engagement with B. to make and deliver to B. by a fixed day, for a specified price, a certain piece of machinery. A. did not deliver the piece of machinery at the time specified, and in consequence of this B. was obliged to procure another, at a higher price than that which he was to have paid to A., and was prevented from fulfilling an engagement under which he lay to a third person at the time of his contract with A. (but which had not been then communicated to A.), and was compelled to make compensation for breach of his engagement. A. must pay to B., by way of compensation, the difference between the contract price of the piece of machinery and the sum paid by B. for another, but not the sum paid by A. to the third person by way of compensation.

(q.) A., a builder, undertakes to erect and finish a house by the 1st of January, in order that B. may give possession of it at that time to C., to whom B. has agreed to let it. A. is informed of the agreement between B. and C. A. builds the house so badly that before the 1st of January it falls down, and has to be rebuilt by B., who in consequence loses the rent which he was to have received from C., and is obliged to make compensation to C. for the breach of his engagement. A. must make compensation to B. for the cost of rebuilding the house, for the rent lost, and for the compensation made.

(r.) A. sells certain merchandise to B., warranting it to be of a particular quality, and B., in reliance upon this warranty, sells it to C. with a similar warranty. The warranties are broken, and B. becomes liable to pay C. a sum of money by way of compensation. B. is entitled to be reimbursed this sum by A.

(s.) A. engages to supply B. with a thrashing machine on the 15th of August; he is aware at the time of entering into the engagement that B. is in the habit of thrashing out his wheat in the field, and sending it off at once to market. A. did not supply the machine on the 15th of August, but assured B. from day to day that it would be delivered shortly. He delivered the machine on the 11th of September. In consequence of the non-delivery of the machine, it became necessary for A. to carry the wheat home and stack it; it was injured by exposure to the weather, and had to be dried at a great expense; its quality was much deteriorated, and before it could be sold the market price of wheat had fallen. B. in consequence of these events is unable to pay a judgment debt to C., who seizes and sells his property in execution. A. must make compensation to B. in respect of the expenses of carrying, stacking, and drying the wheat, and in respect of its deterioration in quality; but not in respect of the loss sustained by B. through the fall in the market price of wheat, nor in respect of the seizure of his property.

(t.) A. has entered into an engagement by contract to pay a sum of money to B. on a day specified. A. does not pay the money on the day appointed. B., in consequence of not receiving the money on that day, is unable to pay his debts, and is totally ruined. A.

is not liable to make good to B. anything except the principal sum he contracted to pay, together with interest up to the day of payment.

(u.) A. engaged to deliver 50 maunds of saltpetre to B. on the 1st of January, at a certain price. B. afterwards, before the 1st of January, agreed to sell the saltpetre to C. at a price higher than the market price of the 1st of January. A. broke his engagement. In estimating the compensation payable by A. to B., the market price of the 1st of January, and not the profit which would have arisen to B. from the sale to C., is to be taken into account.

(v.) A. engaged to sell and deliver 500 bales of cotton to B. on a fixed day. A. broke his engagement, and B. having no cotton, was obliged to close his mill. A. is not responsible to B. for the loss caused to B. by the closing of his mill.

(w.) A. agreed to sell and deliver to B. on the 1st of January certain cloth which B. intended to manufacture into caps of a particular kind, for which there was no demand except at that season. The cloth was not delivered till long after the appointed time, and too late to be used that year in making caps. A. is entitled to receive from B., by way of compensation, the difference between the contract price of the cloth and its market price at the time of delivery, but not the profits which he expected to obtain by making caps, nor the expenses which he has been put to in making preparation for the manufacture.

(x.) A., a shipowner, agreed with B. to convey him from Calcutta to Sydney in A.'s ship, sailing on the 1st of January; and B. paid to A., by way of deposit, one-half of his passage money. The ship did not sail on the 1st of January, and B., after being in consequence detained in Calcutta for some time, and thereby put to some expense, proceeded to Sydney in another vessel, and in consequence, arriving too late in Sydney, lost a sum of money. A. is liable to repay to B. his deposit with interest, and the expense to which he was put by his detention in Calcutta, but not the sum of money which he lost by arriving in Sydney too late.

51. Specific performance of a contract is the doing or the delivery of the thing contracted for, as the case may be, according to the terms of the contract.

52. Where an engagement by contract has been made between any persons for the creation or transfer of any interest in immoveable property, or for the delivery of any specific article of moveable property, and the party who has entered into such engagement fails to perform it, the Court may, at the suit of any other party to the contract, order specific performance of the engagement, with or without compensation in respect of loss or damage caused by his default.

Explanation.—An agreement to cultivate land in a particular manner, or to grow particular crops, does not create such an interest in immoveable property as is contemplated by this section.

Illustration.

(a.) A. agrees with B. to sell him a house for 1,000 rupees. B. is entitled to a decree directing A. to convey the house to him, he paying the purchase money.

(b.) A. agrees with B. to give him a bill of lading of a certain cargo. B. is entitled to have the bill of lading signed by A.

(c.) A. agrees with B. to prepare and sow, and cultivate a field with indigo, and to deliver him the crop; when the crop is cut and ready for delivery, B. is entitled to have the crop delivered to him in specie; but he is not entitled to a decree directing A. to prepare, or sow, or cultivate.

(d.) A. agrees with B. that he will paint a picture for him, and the picture is painted. B. is entitled to have it delivered to him, but B. is not entitled to a decree ordering A. to paint or to complete the painting of the picture.

(e.) A. agrees with B. to edit a periodical work for the remuneration of 1,000 rupees per month. B. cannot enforce against A. the specific performance of this contract; and, as the rights and obligations are mutual, A. cannot enforce against B. the specific performance of this contract.

[N.B.—In this case either party can obtain compensation for the loss sustained by him by the failure of A. to perform his engagement.]

(f.) A. agrees with B. to deliver to him 40 chests of indigo at 1,000 rupees per chest. A. fails to perform his engagement. B. cannot obtain specific performance of the contract, but can obtain compensation for the loss sustained by him by reason of A.'s failure to complete the contract.

(g.) A. agrees with B. to sell him a house for 10,000 rupees, the price to be paid and possession given on the 1st of January 1865. A. fails to perform his engagement. B. brings his suit for specific performance, which is decided in his favour on the 1st of January 1866. The decree ought, besides ordering specific performance, to award to B. compensation for any loss or damage which he has sustained by A.'s refusal.

53. Where a party to a contract is unable to perform the whole of the engagement which he has entered into with another party, but the part which must be left unperformed bears only a small proportion to the whole in value, and admits of

of compensation in money, the Court may, at the suit of either party, direct the specific performance of so much of the engagement as can be performed, and award compensation in money for the deficiency. In such case neither party shall be entitled to compensation for loss or damage caused by the neglect or default of the other party to perform the engagement.

Illustration.

A. agrees to sell B. a piece of land consisting of 100 biggahs. It turns out that 98 biggahs of the land belong to A. and the two remaining biggahs to a stranger, who refuses to part with them. A. may be directed at the suit of B. to convey to B. the 98 biggahs, and to make compensation to him for not conveying the two remaining biggahs; or B. may be directed, at the suit of A., to pay to A., on receiving the conveyance and possession of the land, the stipulated purchase-money, less a sum awarded as compensation for the deficiency.

54. Where a party to a contract is unable to perform the whole of the engagement which he has entered into with another party, and the part which must be left unperformed forms a considerable portion of the whole, the party in default is not entitled to obtain a decree for specific performance; but the Court may, at the suit of the other party, direct the party in default to perform specifically so much of the engagement as he can perform, provided that the party seeking specific performance relinquishes all claim to further performance and all right to compensation, either for the deficiency or for the loss or damage sustained by him through the default of the other party.

Illustrations.

(a.) A. agrees to sell to B. a piece of land consisting of 100 biggahs. It turns out that 50 biggahs of the land belong to A., and the other 50 biggahs to a stranger, who refuses to part with them. A. cannot obtain a decree against B. for the specific performance of the contract; but if B. is willing to pay the price agreed upon, and to take the 50 biggahs which belong to A., waiving all right to compensation either for the deficiency or for loss sustained by him through A.'s neglect or default, B. is entitled to a decree directing A. to convey those 50 biggahs to him on payment of the purchase-money.

(b.) A. agrees to sell to B. an estate with a house and garden for 100,000 rupees. It turns out that A. is unable to convey the garden. A. cannot obtain a decree against B. for the specific performance of the contract; but, if B. is willing to pay the price agreed upon, and to take the estate and house without the garden, waiving all right to compensation either for the deficiency or for loss sustained by him through A.'s neglect or default, B. is entitled to a decree, directing A. to convey the house to him on payment of the purchase money.

55. Except in cases coming under one or other of the two last preceding sections, it is not competent for the Court to direct the specific performance of a part of an engagement by contract.

56. It shall be competent to the Court to award compensation in cases where specific performance is sued for and the Court does not think fit to order it.

57. In every case the Court shall have power to give compensation in money in lieu of the specific performance of the contract, where it shall appear to the Court that specific performance would inflict damage or injury on one party to the contract without any corresponding benefit to the party seeking specific performance.

58. Where the specific performance of an engagement is ordered, and it appears to the Court that such specific performance ought to be made by a party by executing a conveyance, or by endorsing a negotiable instrument, and the party ordered to execute or endorse such conveyance or negotiable instrument shall neglect or refuse so to do, any party interested in having the same executed or endorsed may prepare a conveyance or endorsement of the instrument in accordance with the terms of the decree, and tender the same to the Court for execution upon the proper stamp (if any is required by law) and the signature thereof by the judge, shall have the same effect as the execution or endorsement thereof by the party ordered to execute.

Code of Civil Procedure, s. 202.

59. Where a contract contains an engagement express or implied, by one party, that he will abstain from doing any act, the Court may, at the suit of another party, issue an injunction to restrain the breach of such engagement, provided such other party has not failed to perform his own engagement.

Exception.—This section shall not apply to engagements relating to the cultivation of land or the growing particular crops.

Illustrations.

(a.) A. agrees with B. that he will sing at B.'s theatre for a twelvemonth. B. cannot have an order directing A. to sing, but he is entitled to have an order restraining A. from singing at any other place of entertainment.

(b.) B. agrees with A. that he will serve him faithfully for twelve months as a clerk. A. is not entitled to an order directing B. to serve, but he is entitled to an order restraining B. from serving a rival house, or doing any other act to the injury of A. in his business.

(c.) A. agrees with B. that in consideration of a sum of money to be paid to him by B. on a day fixed, he will not set up a certain business within a specified distance. B. makes default in payment of the money. A. cannot be restrained from carrying on business within the specified distance.

ON CERTAIN OBLIGATIONS RESEMBLING THOSE CREATED BY CONTRACT.

60. WHERE a person has, either by words spoken or written, or by his conduct, led another to believe that a certain state of things exists which does not really exist, with the intention that the other shall act upon such belief in a transaction between them, and the other accordingly acts upon such belief, the person who has caused such belief is bound to place the other in the same position as if such a state of things had existed, or, in default, to make compensation to the other in respect of any loss or damage which he has incurred by acting upon such belief.

61. A person who, by a false representation, induces another to enter into a contract with a third party, is bound to make good the representation if he knew it to be false, or if in the due discharge of his duty he ought to have known it to be so.

Illustrations.

(a.) A. is trustee for B. of certain property. B. creates a charge upon the trust property, of which notice is given to A. B. afterwards enters into treaty with C. for the sale of the property. C. asks A. whether the property is incumbered or not. A. not remembering the notice, replies in the negative, and C. thereupon buys the property. A. as well as B. is responsible for the discharge of the incumbrance.

(b.) A. conveys his property to B., and permits him to appear as the owner of it, upon a secret trust for A.'s benefit. B. alienates the property to a person who is not aware of the trust. A. cannot dispute the alienation.

(c.) A. being applied to by B. for merchandise upon credit, asks C. whether B. is in good circumstances. C., knowing B. to be deeply in debt, with the intention of inducing A. to comply with B.'s wishes, replies that B. is in good circumstances. In consequence of this reply, A. lets B. have the merchandise on credit. B. becomes insolvent before the time for payment arrives. C. is liable to make good to A. the value of the merchandise.

(d.) C., without any particular knowledge of B.'s means, speaks of him in the presence of A. as a person in good circumstances. A. in consequence lets B. have merchandise on credit. B. becomes insolvent. C. is not liable to make good to A. the value of the merchandise.

62. If one person makes a deliberate statement as to his own future conduct to another, with the intent that it should be acted upon, and the other acts upon the faith of such assurance, the person who made the statement must make it good.

Illustration.

A. holding a decree against B., and knowing that B. is desirous to be married to C., assures the father of C. that he will never enforce the execution of the decree against B. C.'s father, relying on this assurance, permits the marriage to take place. A. is not entitled to enforce the execution of the decree.

63. If a person incapable of entering into a contract, or any one whom he is legally bound to support, is supplied by another person with necessaries suited to his condition in life, the person who has furnished such supplies is entitled to be reimbursed from the property of such incapable person.

Illustrations.

(a.) A. supplies B., a minor, with necessaries suitable to his condition in life. A. is entitled to be reimbursed from B.'s property.

(b.) A. supplies the wife and children of B., a lunatic, with necessaries suitable to their condition in life. A. is entitled to be reimbursed from B.'s property.

64. A person

64. A person who is interested in the payment of money which another is bound by law to pay, and who therefore pays it, is entitled to be reimbursed by the other.

Illustration.

A. holds some land in Bengal as zemindar. B. holds the land on a lease granted by A. The revenue payable by A. to the Government being in arrear, his land is advertised for sale by the Government. Under the revenue law, the consequence of such sale will be the annulment of B.'s lease. B., to prevent the sale and the consequent annulment of his own lease, pays to the Government the sum due from A. A. is bound to make good to B. the amount so paid.

65. Where a person lawfully does anything for another person, or delivers anything to him, not intending to do so gratuitously, and the other enjoys the benefit thereof, the latter is bound to restore or to make compensation to the former in respect of the thing so done or delivered.

This rule shall apply, notwithstanding that there shall have been a larger contract between the parties, which has been put an end to by reason of a breach thereof.

Illustrations.

(a.) A., a tradesman, leaves goods at B.'s house by mistake. B. treats the goods as his own. He is bound to pay A. for them.

(b.) A. contracts with B. to deliver to him 250 maunds of rice before the 1st of May. A. delivers 130 maunds only before that day and none after. B. retains the 130 maunds after the 1st of May. He is bound to pay A. for them.

(c.) A., a singer, enters into an engagement with B., the manager of a theatre, to sing at his theatre for two nights in every week during the next two months, and B. engages to pay her 100 rupees for each night's performance; on the sixth night the singer wilfully absents herself from the theatre, and B. in consequence puts an end to the engagement. B. must pay A. for the five nights on which she had sung.

66. A person who finds goods belonging to another, and takes them into his custody, is subject to the same responsibility as a bailee.

See Sections on Bailments.

67. A person to whom money has been paid by mistake or under coercion is liable to repay it.

Illustration.

A. and B. jointly owe 100 rupees to C. A. alone pays the amount to C., and B., not knowing this fact, pays 100 rupees over again to C. C. is bound to repay the amount to B.

SALE OF GOODS.

68. IN the following chapter the word "goods" is used to denote every kind of moveable property.

69. Sale is the exchange of anything which is property for a price. It involves the transference of the ownership of the thing sold from the seller to the buyer.

70. Sale is effected by offer and acceptance of ascertained goods for a price, or of a price for ascertained goods, together with payment of the price or delivery of the goods, or with tender, part payment, earnest, or part delivery, or with an agreement, express or implied, that the payment or delivery, or both, shall be postponed.

Illustrations.

(a.) B. offers to buy A.'s horse for 500 rupees. A. accepts the offer, and tells B. to take away the horse. The horse has been sold to B.

(b.) A. sends goods to B., with the request that he will buy them at a stated price if he approves of them, or return them if he does not approve of them. B. retains the goods, and informs A. that he approves of them. The goods have been sold to B.

(c.) B. offers A. for his horse 1,000 rupees, the horse to be delivered to B. on a stated day, and the price to be paid on another stated day. A. accepts the offer. The horse has been sold to B. by offer and acceptance with an agreement to postpone delivery and payment.

(d.) B. offers A. for his horse 1,000 rupees, on a month's credit. A. accepts the offer.

The horse has been sold to B. by offer and acceptance with an agreement to postpone the payment.

(e.) B., on the 1st January 1863, offers to A. for a quantity of rice 2,000 rupees, to be paid on the 1st March following, the rice not to be taken away till paid for. A. accepts the offer. The rice has been sold to B.

71. By an agreement for the sale of a thing which has yet to be ascertained, made, or finished, no ownership of any portion of that thing passes to the buyer until it is ascertained, made, or finished.

Illustration.

B. orders A., a barge-builder, to make him a barge. The price is not made payable by instalments. While the barge is building, B. pays to A. money from time to time on account of the price. The ownership of the barge does not pass to B. until it is finished.

72. Where by an agreement for the sale of goods the seller is to do anything to them for the purpose of putting them into a state in which the buyer is to take them, the sale is not complete until such thing has been done.

Illustrations.

(a.) A., a shipbuilder, agrees to sell to B., for a stated price, a vessel which is lying in A.'s yard; the vessel to be rigged and fitted for a voyage, and the price to be paid on delivery. Under the agreement a sale is not effected until the vessel has been rigged, fitted up, and delivered.

(b.) A. contracts to build a ship for B. for a price, payable by instalments dependent on the progress of the building of the ship, and the ship is to be built under B.'s superintendence. The ownership of the materials incorporated with the ship passes to B. at the time of incorporation, as this was intended by the parties, but the materials lying in A.'s yard, though suited and intended for the ship, do not pass to B. until they are actually incorporated with the ship.

73. Where anything remains to be done to the goods by the seller for the purpose of ascertaining the amount of the price, the sale is not complete until this has been done.

Illustrations.

(a.) A., owner of a stack of bark, agrees to sell it to B. at 100 rupees per ton; B. agrees to take and pay for it on a certain day. Part is weighed and delivered to B.; the ownership of the residue is not transferred to B. until it has been weighed pursuant to the contract.

(b.) A. agrees to sell a heap of clay to B. at a certain price per ton; B. is by the agreement to load the clay in his own carts, and to weigh each load at a certain weighing machine which his carts must pass over on their way from A.'s ground to B.'s place of deposit. Here nothing more remains to be done by the seller, the sale is complete, and the ownership of the heap of clay is transferred at once.

74. Where the goods are not ascertained at the time of making the agreement for sale, it is necessary to the completion of the sale that the goods shall be ascertained.

Illustration.

A. agrees to sell to B. 20 tuns of oil in A.'s cisterns. A's cisterns contain more than 20 tuns of oil. B. has not acquired the ownership of any portion of the oil.

75. Where the goods are not ascertained at the time of making the agreement for sale, but goods answering the description in the agreement are subsequently appropriated by one party for the purpose of the agreement, and that appropriation is assented to by the other, the goods have been ascertained, and the sale is complete.

Illustration.

A. having a quantity of sugar in bulk, more than sufficient to fill 20 hogsheads, agrees to sell B. 20 hogsheads of it. After the agreement, A. fills 20 hogsheads with the sugar, and gives notice to B. that the hogsheads are ready, and requires him to take them away. B. says he will take them as soon as he can. By this appropriation by A. and assent by B., the ownership passes to B.

76. Where the goods are not ascertained at the time of making the agreement for sale, and by the terms of the agreement the seller is to do an act with reference to the goods which cannot be done until they are appropriated to the buyer, the seller has a right to select any goods answering to the agreement, and by his doing so the goods are ascertained.

Illustration.

B. agrees with A. to purchase of him at a stated price, to be paid on a fixed day, 50 maunds of rice, out of a larger quantity in A.'s granary. It is agreed that B. shall send sacks for the rice, and that A. shall put the rice into them. B. does so, and A. puts 50 maunds of rice into the sacks. The goods have been ascertained.

77. Where

77. Where an agreement is made for the sale of immoveable and moveable property combined, the ownership of the moveable property does not pass before the transference of the immoveable property.

Illustration.

A. agrees with B. for the sale of a house and furniture. The ownership of the furniture does not pass to B. until the house is conveyed to B.

78. Where goods are sold by auction, there is a distinct and separate sale of the goods in each lot, by which the ownership thereof is transferred as each lot is knocked down.

79. A buyer to whom the ownership of the goods sold has passed, is liable to bear any loss arising from the destruction or injury of the goods.

Illustration.

B. offers and A. accepts 100 rupees for a stack of firewood standing on A.'s premises, the firewood to be allowed to remain on A.'s premises till a certain day, and not to be taken away till paid for. Before payment, and while the firewood is on A.'s premises, it is accidentally destroyed by fire. B. must bear the loss.

80. A valid agreement for the sale of goods may be made either by word of mouth or by writing.

81. The ownership of goods may be acquired by buying them from any person who is in possession of them, provided that the buyer acts in good faith, and under circumstances which are not such as to raise a reasonable presumption that the person in possession has no right to sell them.

Illustrations.

(a.) A. steals a cow from B., and sells it at a cattle market to C., a purchaser in good faith. A. is afterwards convicted of the theft. B. cannot recover the cow from C.

(b.) A., a person whose rank and occupation are not such as to account for his having plate in his possession, sells a piece of plate to B., without giving a satisfactory explanation of the manner in which he had become possessed of it. The plate had in fact been stolen from C. C., on proof of the theft, can recover the plate from B.

(c.) A., a commercial agent, to whom goods have been consigned with instructions not to sell them without reference to the consignor, sells them to B., who has no ground for a reasonable presumption that A. has no right to sell them. The consignor cannot disturb the sale.

(d.) A., a commercial agent, to whom goods have been consigned with instructions not to sell them without reference to the consignor, sells them, without such reference, to B., who is acquainted with the instructions given to A. The sale is void as against the consignor.

82. The ownership of goods may be acquired by buying them from any person who is in possession of a bill of lading, dock warrant, warehouse keeper's certificate, wharfinger's certificate, or warrant or order for delivery, or any other documentary title to the goods, provided that the buyer acts in good faith, and under circumstances which are not such as to raise a reasonable presumption that the person in possession of the document has no right to sell the goods.

Illustration.

A. sells to B. goods of which he has the bill of lading, but the bill of lading is made out for delivery of the goods to C., and it has not been indorsed by C. The sale is not valid.

83. Under an agreement for the sale of goods not yet in existence, the ownership of the goods may be transferred by acts which, after the goods are produced, are done in pursuance of the agreement by the seller, or by the buyer with the seller's assent.

Illustrations.

(a.) A. agrees to sell to B., for a stated price, all the indigo which shall be produced at A.'s factory during the ensuing year. A., when the indigo has been manufactured, gives to B. an acknowledgment that he holds the indigo at his disposal. The ownership of the indigo vests in B. from the date of the acknowledgment.

(b.) A., for a stated price, agrees that B. may take and sell any crops that shall be grown on his land in succession to the crops then standing. Under this agreement, B., with the assent of A., takes possession of some crops grown in succession to the crops standing at the time of the agreement. The ownership of the crops when taken vests in B.

(c.) A., for a stated price, agrees that B. may take and sell any crops that shall be grown on his land in succession to the crops then standing. Under this agreement B. applies to A. for

possession of some crops grown in succession to the crops which were standing at the time of the agreement. A. refuses to give possession. The ownership of the crops does not pass to B.

84. An agreement for the sale of goods to be delivered at a future day is binding, though the goods are not in the possession of the seller at the time of making the agreement, and though at that time he has no reasonable expectation of acquiring them otherwise than by purchase.

Illustration.

A. agrees, on the 1st January, to sell B. 50 shares in the East Indian Railway Company, to be delivered and paid for on the 1st March of the same year. A., at the time of making the agreement, is not in possession of any shares. The agreement is valid.

85. Where there has been a sale or an agreement to sell, and the amount of the price has not been fixed, it shall be determined by the consideration of what is just and reasonable.

Illustration.

B., living at Patna, orders of A., a coach builder, at Calcutta, a carriage of a particular description. Nothing is said by either as to the price. The order having been executed, and the price being in dispute between the buyer and the seller, the amount of it must be determined by the consideration of what is just and reasonable.

86. Delivery of goods sold may be made by doing anything which has the effect of putting them in the possession of the buyer, or of any person authorised to hold them on his behalf.

Illustrations.

(a.) A. sells to B. a horse, and causes or permits it to be removed from A.'s stables to B.'s. This is a delivery.

(b.) B. in England, orders 100 bales of cotton from A., a merchant of Bombay, and sends his own ship to Bombay for the cotton. The putting the cotton on board the ship is a delivery to B.

(c.) A. sells to B. certain specific goods which are locked up in a godown. A. gives B. the key of the godown in order that he may get the goods. This is a delivery.

(d.) A. sells to B. five specific casks of oil. The oil is in the warehouse of A. B. sells the five casks to C. A. receives warehouse rent for them from C. This amounts to a delivery of the oil to C., as it shows an assent on the part of A. to hold the goods as warehouseman of C.

(e.) A. sells to B. 50 maunds of rice in the possession of C., a warehouseman. A. gives B. an order to C. to transfer the rice to B., and C. assents to such order, and transfers the rice in his books to B. This is a delivery.

(f.) A. agrees to sell B. five tuns of oil at 1,000 rupees per tun, to be paid for at the time of delivery. A. gives to C., a wharfinger, at whose wharf he had 20 tuns of the oil, an order to transfer five of them into the name of B. C. makes the transfer in his books, and gives A.'s clerk a notice of the transfer for B. A.'s clerk takes the transfer notice to B., and offers to give it him on payment of the bill. B. refuses to pay. There has been no delivery to B., as B. never assented to make C. his agent to hold for him the five tuns selected by A.

87. A delivery to a wharfinger or carrier of the goods sold, which do not reach the buyer, does not render the buyer liable for the price, unless the delivery is so made, as to enable him to hold the wharfinger or carrier responsible for the safe delivery of the goods.

Illustration.

B. at Agra, orders of A., who lives at Calcutta, three casks of oil, to be sent to him by railway. A. takes three casks of oil directed to B. to the railway station, and leaves them there without conforming to the rules, which must be complied with in order to render the railway company responsible for their safety. This is not a sufficient delivery to charge B. in a suit for the price, if the goods are not delivered to the buyer.

88. A delivery of part of the goods in progress of the delivery of the whole, has the same legal effect as a delivery of the whole; but a delivery of part of the goods, with an intention of severing it from the whole, does not operate as a delivery of the remainder.

Illustrations.

(a.) A ship arrives in a harbour laden with a cargo consigned to A., the buyer of the cargo. The captain begins to discharge it, and delivers over part of the goods to A. in progress of the delivery of the whole. This is a delivery of the cargo to A.

(b.) A sells

(b.) A. sells to B. a stack of firewood, to be paid for by bill on delivery. After the sale, B. applies for and obtains from A. leave to take away some of the firewood. This has not the legal effect of delivery of the whole.

(c.) A. sells 50 maunds of rice to B. The rice remains in A.'s warehouse. After the sale, B. sells to C. 10 maunds of the rice, and A. at B.'s desire, sends the 10 maunds to C. This has not the legal effect of a delivery of the whole.

89. In the absence of any special agreement, the seller of goods is not bound to deliver them until the buyer applies for possession.

90. In the absence of any agreement as to delivery, goods sold are to be delivered at the place at which they are at the time of the sale, and goods agreed to be sold are to be delivered at the place at which they are at the time of the agreement for sale, or if not then in existence, at the place at which they are produced.

91. Unless a contrary intention appears by the agreement, a seller has a lien on sold goods as long as they remain in his possession, and the price or any part of it remains unpaid.

92. Where by the agreement the payment is to be made at a future day, but no time is fixed for the delivery of the goods, the seller has no lien, and the buyer is entitled to a present delivery of the goods without payment. But if the buyer becomes insolvent before delivery of the goods, the seller may retain the goods for the price.

Explanation.—A person is insolvent who has ceased to pay his debts in the usual course of business, or who is incapable of paying them.

Illustration.

A sells to B. a quantity of sugar in A.'s warehouse. Payment is agreed to be made by a bill of exchange at three months. B. gives A. the bill of exchange, but allows the sugar to remain in A.'s warehouse. Before the bill falls due B. stops payment. A. may retain the goods for the price.

93. Where by the agreement, the payment is to be made at a future day, and the buyer allows the goods to remain in the possession of the seller until that day, and does not then pay for them, the seller may retain the goods for the price.

Illustration.

A. sells to B. a quantity of sugar in A.'s warehouse. Payment is agreed to be made by a bill of exchange at three months. B. gives the bill of exchange, but allows the sugar to remain in the warehouse. The bill is dishonoured. A. may retain the goods for the price.

94. A seller in possession of goods sold may retain them for the price against any subsequent buyer, unless the seller has recognised the title of the subsequent buyer.

Illustrations.

(a.) A. sells to B. at three months' credit, a chest of tea, then in the custody of X., a wharfinger. A. gives B. a delivery order for the tea, and before the expiration for the credit, B. resells the tea to C. for cash, and transfers to him the delivery order. B. stops payment before C. obtains possession under the order. A. may countermand the order to X., and retain the goods against C.

(b.) A. sells to B. a cargo of sugar, then in the warehouse of A. B., according to the terms of the sale, gives A. his acceptance at three months for the price of sugar. B. sells the sugar to C. for cash, and gives C. an order addressed to A., requesting him to deliver the sugar to C. A. assents to the delivery order, and agrees to hold for C. Afterwards B. becomes insolvent, and his acceptance is dishonoured. A. cannot retain the goods against C.

95. A seller who has parted with the possession of the goods, and has not received the whole price, may, in the event of the buyer becoming insolvent, stop the goods while they are in transit to the buyer.

96. Goods are to be deemed in transit while they are in the possession of the carrier, or lodged at any place in the course of transmission to the buyer, and are not yet come into the possession of the buyer, or any person on his behalf, otherwise than as being in possession of the carrier, or as being so lodged.

Illustrations.

(a.) B. living at Madras, orders goods of A., at Patna, and directs that they shall be sent to Madras. The goods are sent to Calcutta, and there delivered to C. a wharfinger, to be forwarded to Madras. The goods, while they are in the possession of C., are in transit.

(b.) B., at Delhi, orders goods of A., at Calcutta. A. consigns and forwards the goods to B., at Delhi. On arrival there, they are taken to the warehouse of B., and left there. B. refuses to receive them, and immediately afterwards stops payment. The goods are in transit.

(c.) B., who lives at Poonah, orders goods of A., at Bombay. A. sends them to Poonah by C., a carrier, appointed by B. The goods arrive at Poonah, and are placed by C., at B.'s request, in C.'s warehouse for B. The goods are no longer in transit.

(d.) B., a merchant of London, orders 100 bales of cotton of A., a merchant at Bombay. B. sends his own ship to Bombay for the cotton. The transit is at an end when the cotton is delivered on board the ship.

97. The right of stoppage does not cease on the buyer's re-selling the goods while in transit, and receiving the price; but continues until the goods have been delivered to the second buyer, or to some person on his behalf.

98. The right of stoppage ceases, if the buyer, while the goods are in transit, assigns a bill of lading in respect of them to a second buyer in good faith for valuable consideration.

Illustrations.

(a.) A. sells and consigns certain goods to B. A. being still unpaid, B. becomes insolvent, and while the goods are in transit, assigns the bill of lading for cash to C., who is not aware of his insolvency. A. cannot stop the goods in transit.

(b.) A. sells and consigns certain goods to B. A., being still unpaid, B. becomes insolvent, and while the goods are still in transit, assigns the bill of lading for cash to C., who knows that B. is insolvent. The assignment not being in good faith, A. may still stop the goods in transit.

99. Where a bill of lading is not negotiable until a certain condition has been fulfilled, the right of stoppage does not cease until such condition has been fulfilled.

Illustration.

A. sells and despatches goods to B., and sends him a letter enclosing the bill of lading and directing him not to part with it until he has accepted certain bills of exchange which A. has drawn against the consignment. B. without accepting the bills of exchange, assigns the bill of lading to a buyer in good faith, for a valuable consideration. A.'s right of stoppage does not cease upon such assignment.

100. Where a bill of lading is assigned by the buyer by way of pledge, to secure an advance which has been made upon it in good faith, the seller may, on payment or tender to the pledgee of the amount of his claim, stop the goods in transit.

Illustrations.

(a.) A. sells and consigns goods to B. of the value of 12,000 rupees. B. assigns the bill of lading for those goods to C. to secure a specific advance of 5,000 rupees made to him upon the bill of lading by C. B. becomes insolvent, being indebted to C. to the amount of 9,000 rupees. A. is entitled to stop the goods on payment or tender to C. of 5,000 rupees.

(b.) A. sells and consigns goods to B. of the value of 12,000 rupees. B. assigns the bill of lading for those goods to C. to secure the sum of 5,000 rupees due from him to C. upon a general balance of accounts. B. becomes insolvent. A. is entitled to stop the goods in transit for the whole sum due to him.

101. Stoppage in transit may be effected by the seller, either by taking actual possession of the goods, or by giving notice of his claim to the carrier or other depositary in whose possession they are.

102. The notice may be given either to the person who has the immediate possession of the goods, or to the principal whose servant has the possession. In the latter case, it must be given at such a time, and under such circumstances, that the principal, by the exercise of reasonable diligence, may communicate it to his servant in time to prevent a delivery to the buyer.

103. Stoppage

103. Stoppage in transit entitles the seller to hold the goods stopped until the price of the whole of the goods sold is paid.

Illustration.

A. sells to B. 100 bales of cotton; 60 bales having come into B.'s possession, and 40 being still in transit, B. becomes insolvent, and A. being still unpaid, stops the 40 bales in transit. A. is entitled to hold the 40 bales until the price of the 100 bales is paid.

104. Where the buyer fails to perform his part of the agreement, either by not taking the goods sold to him, or by not paying for them, the seller may re-sell them within a reasonable time after giving notice to the buyer of his intention to do so; and the buyer must bear any loss; but is not entitled to any profit which may occur on the re-sale.

105. If the buyer, or any person claiming under him, is by reason of the invalidity of the seller's title deprived of the thing sold, the seller is responsible to the buyer for loss thereby caused, unless a contrary intention appears by the agreement.

106. An implied warranty of goodness or quality may be established by the custom of any particular trade.

107. On the sale of provisions there is an implied warranty that they are sound.

108. On the sale of goods by sample, there is an implied warranty that the bulk is equal in quality to the sample.

109. Where goods are sold as being of a certain denomination, there is an implied warranty that they are such goods as are commercially known by that denomination, although the buyer may have bought them by sample or after inspection of the bulk.

Illustrations.

(a.) A., at Calcutta, sells to B. 12 bags of "waste silk" then on its way from Moorshebadabad to Calcutta. There is an implied warranty by A. that the silk shall be such as is known in the market under the denomination of "waste silk."

(b.) A. sells parcels of "linseed oil," by sample, to B. [warranted only equal to sample.] There is an implied warranty by A. that the article sold is such as is known in the market as "linseed oil;" and if he delivers an article which, though equal to sample, is not such as is known in the market as linseed oil, there is a breach of the implied warranty.

(c.) A. sells to B. 40 casks of "oxalic acid," B. having before the sale seen the bulk of the acid, and inspected samples of it. The acid proves to be so adulterated as not to be the article known in commerce as "oxalic acid." There is here a breach of an implied warranty.

(d.) A., in London, where inland bills of exchange do, and foreign bills of exchange do not by law require a stamp, sells to B. a bill of exchange, unstamped, and purporting to be a foreign bill. There is an implied warranty by A. that the bill is a foreign bill, and if it turns out that the bill is not a foreign but an inland bill, there is a breach of that implied warranty.

110. Where goods have been ordered for a specified purpose, for which goods of the denomination employed in the order are usually sold, there is an implied warranty by the seller, that the goods supplied are fit for that purpose.

Illustration.

B. orders of A., a copper manufacturer, copper for sheathing a vessel. A. on this order supplies copper. There is an implied warranty that the copper is fit for sheathing a vessel.

111. Upon the sale of an article of a well-known ascertained kind, there is no implied warranty of its fitness for any particular purpose.

Illustration.

B. writes to A., the owner of a patent invention for cleaning cotton, "Send me your patent cotton-cleaning machine, to clean the cotton at my factory." A. sends the machine according to order. There is an implied warranty by A. that it is the article known as A.'s patent cotton-cleaning machine; but none that it is fit for the particular purpose of cleaning the cotton at B.'s factory.

112. In the absence of fraud and of any express warranty of quality the seller of an article which answers the description under which it was sold is not responsible for a latent defect in it.

Illustration.

A. in good faith sells and delivers to B. scrip certificates of shares in a certain railway company. Afterwards the scrip is repudiated, on the ground that it had been issued without authority. A. is not responsible for loss sustained by B. in consequence.

113. Where a specific article has been sold with a warranty and the warranty is broken, the sale is not thereby rendered voidable; but the buyer is entitled to compensation from the seller for loss caused by the breach of warranty.

Illustration.

A. sells to B. a horse, warranted sound. The horse proves to have been unsound at the time of sale. B. is entitled to compensation from A. for loss caused by the unsoundness.

114. Where there has been an agreement for the sale of goods with a warranty, and the warranty is broken, the buyer may reject the goods on their being tendered to him, or may return them after the lapse of not more than a reasonable time for ascertaining the breach of warranty; provided that, beyond keeping them such time and examining or trying them, he does not exercise any act of ownership over them; or he may retain them. And, whichever course he follows, he is entitled to compensation from the seller for loss caused by the breach of warranty.

Illustrations.

(a.) A. agrees to sell to B. 200 bales of cotton by sample. Cotton not in accordance with sample is delivered to B. He may return it if he has not kept it longer than a reasonable time for the purpose of examination.

(b.) B. agrees to buy of A. 25 sacks of flour, by sample. The flour is delivered to B., who pays the price. B., upon examination, finds it not equal to sample, and complains of this to A. B. afterwards uses two sacks, and sells one. He cannot now repudiate the contract and recover the price; but he is entitled to compensation from A. for any loss caused by the breach of warranty.

115. When the seller sends goods not ordered with goods ordered, the buyer may refuse to accept any of the goods so sent, if there is risk or trouble in separating the goods ordered from the goods not ordered.

Illustration.

A. orders of B. specific articles of china. B. sends these articles to A. in a hamper, with other articles of china, which had not been ordered. A. may refuse to accept any of the goods sent.

116. If a buyer wrongfully refuses to accept the goods sold to him, this amounts to a breach of the contract of sale.

117. The seller of goods is not entitled to rescind the agreement on the buyer's failing to pay the price at the time fixed, unless it was stipulated by the agreement that he should be so entitled.

118. If, at a sale by auction, the seller makes use of pretended biddings to raise the price, the sale is voidable at the option of the buyer.

INDEMNITY AND GUARANTEE.

119. A person can bind himself to save another person from eventual loss.

The security thus afforded is called indemnity when the loss guarded against is that which may be consequent upon the conduct of some person.

Illustrations.

(a.) A. gives B. a letter of indemnity against the consequences of any proceedings which C. may take against B. in respect of a certain sum of 200 rupees. Here A. binds himself

himself by an express engagement to save B. from consequent loss if C. shall act as contemplated.

(b.) B. accepts a bill of exchange, at A.'s request, for the accommodation of A. A. does not provide for the bill at maturity, and B. is compelled to pay it. A. is liable to B. for the amount of the bill. Here A. binds himself by an implied engagement to indemnify B. against loss consequent on a failure on A.'s part to provide for payment of the bill when due.

120. The employer of an agent is bound to indemnify him against the consequences of all lawful acts done by him in exercise of the authority conferred upon him.

Illustrations.

(a.) B., a stockbroker at London, and member of the Stock Exchange, at the request of A. buys for him 20 shares in the bank, "to be paid for on settlement day." Before the settlement day arrives, the bank stops payment, and A. repudiates the transaction, and tells B. not to pay the price. By the rules of the Stock Exchange, however, B. is compelled to pay the price on the settlement day. A. is liable to B. for the price on an implied agreement to indemnify.

(b.) B., at Singapore, under instructions from A. of Calcutta, contracts with C. to deliver certain goods to him. A. does not send the goods to B., and C. sues B. for breach of contract. B. informs A. of the suit, and A. authorizes him to defend the suit. B. defends the suit, and is compelled to pay damages and costs, and incurs expenses. A. is liable to B. for such damages, costs, and expenses.

(c.) B., a broker at Calcutta, by the orders of A., a merchant there, contracts with C. for the purchase of 10 casks of oil for A. Afterwards A. refuses to receive the oil, and C. sues B. B. informs A., who repudiates the contract altogether. B. defends, but unsuccessfully, and has to pay damages and costs, and incurs expenses. A. is liable to B. for such damages, costs, and expenses.

121. Where one person employs another to do an act, and the agent does the act in good faith, the employer is liable to indemnify the agent against the consequences of that act, though it cause an injury to the rights of third persons.

Illustrations.

(a.) A., a decree holder, and entitled to execution of B.'s goods, requires the nazir to seize certain goods, representing them to be the goods of B. The nazir seizes the goods, and is sued by C., the true owner of the goods. A. is liable to indemnify the nazir for the sum he is compelled to pay to C., in consequence of obeying A.'s directions.

(b.) B., an auctioneer, at request of A., sells goods in the possession of A., but which A. had no right to dispose of. B. does not know this, and hands over the proceeds of the sale to A. Afterwards C., the true owner of the goods, sues B. and recovers the value of the goods and costs. A. is liable to indemnify B. for what he has been compelled to pay to C., and for B.'s own expenses.

(c.) A. employs B. to make a quantity of fire-bricks with a trade mark, which A. knows, but B. does not, to be the trade mark of C. B. makes and marks the bricks as ordered. C. obtains an injunction against B. A. is liable to pay B. the amount of his expenses.

122. Where one person employs another to do an act which is criminal, the employer is not liable to the agent, either upon an express or an implied promise to indemnify him against the consequences of that act.

Illustrations.

(a.) A. employs B. to beat C., and agrees to indemnify him against all consequences of the act. B. thereupon beats C., and has to pay damages to C. for so doing. A. is not liable to indemnify B. for those damages.

(b.) B., the proprietor of a newspaper, publishes, at A.'s request, a libel upon C. in the paper, and A. agrees to indemnify B. against the consequences of the publication, and all costs and damages of any action in respect thereof. B. is sued by C. and has to pay damages, and also incurs expenses. A. is not liable to B. upon the indemnity.

123. Where a person holds an indemnity and an action is brought against him in respect of matters comprised in the indemnity, it is his duty to give notice to the person who is bound to indemnify him; and if that person does not authorise him to defend the action, he is at liberty to compromise it. Whether he defends the action under such authority as aforesaid, or in the absence of such authority compromises it, he is entitled to receive from the person bound to indemnify him the damages and costs which he has been compelled to pay.

If he defends the action without such authority, he is entitled to receive from the person bound to indemnify him the amount he has been compelled to pay,

exclusive of any expenses caused by his having defended the action ; unless in defending it he has acted as a prudent man holding no indemnity would have acted in his own case.

Illustrations.

(a.) B., at the request of A., accepts a bill of exchange for the accommodation of A. C., the holder of the bill, sues B. upon it. B. has clearly no defence, but without the authority of A. he defends the suit, and has to pay costs as well as the amount of the bill. B. can only recover from A. the amount of the bill, upon A.'s implied promise to indemnify.

(b.) C., who holds a lease from W. of certain houses, assigns the lease to B., who agrees to indemnify and save harmless C. from all damages and expenses in respect of the breach of any of the covenants therein. B. re-assigns the lease to A., who gives a like indemnity to B. A. commits a breach of a covenant to repair. W. sues C. and recovers 2,000 rupees, and C. has to pay, in addition, 800 rupees as costs and expenses. C. sues B., who defends the suit unsuccessfully, and has to pay to C. the 2,800 rupees, and also incurs costs and expenses in the defence. A. is only liable to B. for 2,800 rupees, and not for the costs and expenses, as the amount of liability was ascertained by the suit of W. against C., and B. ought to have paid that amount at once to C. on demand.

124. An engagement to fulfil the liability of a third person in case of his default is called a guarantee when founded on sufficient consideration. The person who gives the guarantee is called the surety, the person primarily liable is called the principal, and the person to whom the guarantee is given is called the creditor. A guarantee may be either oral or written.

125. Anything which is done or agreed to be done for the benefit of the principal, and which is an inducement to the surety to give the guarantee, may be a sufficient consideration.

Illustrations.

(a.) B. requests A. to sell and deliver to him goods on credit. A. agrees to do so, provided C. will guarantee the payment of the price of the goods. C. agrees to guarantee the payment of the goods to be supplied. This is a good guarantee.

(b.) A. sells and delivers goods to B. C. afterwards requests A. to forbear to sue B. for the debt for a year, and promises that if he does so, C. will pay for them in default of payment by B.. A. agrees to forbear as requested. There is here a sufficient consideration to sustain C.'s guarantee.

(c.) A. sells and delivers goods to B. C. afterwards promises A. to pay for them in default of B. This is not a guarantee, as there is no consideration to support it.

126. An offer to guarantee does not constitute a guarantee until it is accepted by the person to whom it is made, and the acceptance is notified to the offerer.

127. The liability of the surety is co-extensive with that of the principal.

Illustration.

A. guarantees to B. the payment of a bill of exchange by C. the acceptor. The bill is dishonoured by C. A. is liable not only for the amount of the bill, but also for any interest which may have become due on it.

128. A guarantee may extend to a series of transactions, in which case it is called a continuing guarantee.

Illustrations.

(a.) A., in consideration that B. will employ C. in collecting the rents of B.'s zemindary, promises B. to be responsible to the amount of 5,000 rupees, for the due collection and payment by C. of those rents. This is a continuing guarantee.

(b.) A. promises B., a tea dealer, to be responsible to the amount of 100 l. for any tea he may supply to C. B. supplies C. with tea to above the value of 100 l., and C. pays B. for the same. Afterwards B. supplies C. with tea to the value of 200 l. C. fails to pay. The guarantee given by A. was a continuing guarantee, and he is accordingly liable to B. to the extent of 100 l.

(c.) A. agrees with B. to be answerable to him for the price of five sacks of flour to be delivered by B. to C., payable in one month. B. delivers five sacks to C. A. pays for them. Afterwards B. delivers four sacks to C., which C. does not pay for. The guarantee given by A. was not a continuing guarantee, and accordingly he is not liable for the price of the four sacks.

129. A continuing guarantee may be at any time revoked by the surety as to future transactions, by notice to the creditor.

Illustrations.

(a.) A., in consideration of B.'s discounting, at A.'s request, bills of exchange for C., guarantees to B. for 12 months the due payment of all such bills to the extent of 5,000 rupees. B. discounts bills for C. to the extent of 2,000 rupees. Afterwards, at the end of three months, A. revokes the guarantee. This revocation discharges A. from all liability to B. for any subsequent discount. But A. is liable to B. for the 2,000 rupees, on default of C.

(b.) A. guarantees to B., to the extent of 10,000 rupees, that C. shall pay all the bills that B. shall draw upon him. B. draws upon C. C. accepts the bill. A. gives notice of revocation. C. dishonours the bill at maturity. A. is liable upon his guarantee.

130. The death of the surety operates as a revocation of a continuing guarantee, so far as regards future transactions, in the absence of any agreement to the contrary.

131. Where, upon the face of the agreement, two persons are primarily liable to a third person, that liability is not affected so far as regards the third person by an arrangement between the two, that one of them shall be liable only upon the default of the other, even although such arrangement may have been known to the third person, unless he was a party to the arrangement.

Illustration.

A. and B. make a joint and several promissory note to C. A. makes it, in fact, as surety for B., and C. knows this at the time when the note is made. In a suit by C. against A. upon the note, the fact that A. made it as surety for B. and that C. knew it, is no answer to the action.

132. Any variance made without the surety's consent, in the terms of the original agreement, discharges the surety as to future transactions.

Illustrations.

(a.) A. becomes surety to C. for B.'s conduct as a manager in C.'s bank. Afterwards, B. and C. agree, without A.'s consent, that B.'s salary shall be raised, and that he shall become liable to one-fourth of the losses on discounts. B. allows a customer to overdraw, and the bank loses a sum of money. A. is discharged from his suretyship by the variance made without his consent, and is not liable to make good this loss.

(b.) A. guarantees C. against the misconduct of B. in an office to which he is appointed by C., and of which the duties are defined by an Act of the Legislature. By a subsequent Act, the nature of the office is materially altered. Afterwards, B. misconducts himself. A. is discharged from future liability under his guarantee by the change, though the misconduct of B. is in respect of a duty not affected by the later Act.

(c.) C. agrees to appoint B. as his clerk to sell coals at a yearly salary of 100 £, upon A.'s becoming surety to C. for B.'s duly accounting for monies received by him as such clerk. Afterwards, without A.'s knowledge or consent, C. and B. agree that B. should be paid by a commission of 6 d. per ton on the coal sold by him instead of by the fixed salary. A. is not liable for subsequent misconduct of B.

(d.) A. gives to C. a continuing guarantee to the extent of 3,000 rupees for any oil supplied by C. to B. on credit. Afterwards B. becomes embarrassed, and, without the knowledge of A., B. and C. agree that C. should continue to supply B. with oil for ready money, and that the payments should be applied to the then existing debts between B. and C. A. is not liable on his guarantee for any goods supplied after this new arrangement.

(e.) A. as surety for B., gives to C. a promissory note for 5,000 rupees upon an agreement that the 5,000 rupees should be paid by C. to B. "by draft at three months' date." C. without A.'s knowledge, pays the 5,000 rupees to B. at once, instead of giving a draft. A. is discharged from liability, as the agreement has been varied, and C. might sue B. for the money before the expiration of three months.

133. The surety is discharged by any agreement between the creditor and the principal, by which the principal is released, or by any act or omission of the creditor, the legal consequence of which is the discharge of the principal.

Illustrations.

(a.) A. gives a guarantee to C. for goods to be supplied by C. to B. C. supplies goods to B., and afterwards B. becomes embarrassed, and agrees with his creditors (including C.) to assign to them his property, in consideration of their releasing him from their demands. Here B. is released from his debt by agreement with C., and A. is discharged from his suretyship.

(b.) A. agrees with B. for a fixed price to build a house for B. within a stipulated time, B. supplying the necessary timber. C. guarantees A.'s performance of the contract. B. omits to supply the timber. C. is discharged from his suretyship.

(c.) A. agrees with B. to grow a crop of indigo on A.'s land, and to deliver it to B. at a fixed rate, and C. guarantees A.'s performance of this agreement. B. diverts a stream of water which is necessary for the irrigation of A.'s land, and thereby prevents him from raising the indigo. C. is no longer liable on his guarantee.

134. An agreement between the creditor and the principal, by which the creditor makes a composition with, or agrees to give time to, or not to sue, the principal, discharges the surety.

Illustrations.

(a.) C., the holder of an overdue bill of exchange drawn by A. as surety for B., and accepted by B., binds himself by a valid agreement with B., to give time to B. A. not assenting to the agreement. A. is discharged from liability on the bill.

(b.) C., to whom B. owes a debt guaranteed by A., binds himself by agreement with B. not to sue B., and to accept 5 s. in the pound in respect of B.'s debts. A. assents to the arrangement. A. is not discharged, and is liable to C. for the whole debt.

135. Where an agreement to give time to the principal is made by the creditor with a third person, and not with the principal, the surety is not discharged.

Illustration.

C., the holder of an overdue bill of exchange, drawn by A. as surety for B., and accepted by B., binds himself by a valid agreement with M. to give time to B. A. has no knowledge of this agreement. A. is not discharged.

136. Mere forbearance on the part of the creditor to sue the principal, or to enforce any other remedy, does not, in the absence of any provision in the guarantee to the contrary, discharge the surety.

Illustration.

B. owes to C. a debt guaranteed by A. The debt becomes payable. C. does not sue B. for a year after the debt has become payable. A. is not discharged from his suretyship.

137. Where there are co-sureties, a release by the creditor of one of them does not discharge the others; neither does it free that one from any responsibility to the others.

138. If the creditor does any act which is inconsistent with the rights of the surety, or omits to do any act which his duty to the surety requires him to do, and the eventual remedy of the surety himself against the principal is thereby impaired, the surety is discharged.

Illustrations.

(a.) B. agrees to build a ship for C. for a given sum, to be paid by instalments as the work reaches certain stages. A. becomes surety to C. for B.'s due performance of the agreement. C., without the knowledge of A., prepays to B. the last two instalments. A. is discharged by this payment.

(b.) B. agrees with C. to complete certain fittings in C.'s warehouse for 8,000 rupees, C. stipulating to insure, from time to time, the fittings from fire, and to deduct the costs of the insurance from the 8,000 rupees. A. knowing of this agreement, guarantees B.'s due performance of the work. C. never insures, and fittings to the value of 7,000 rupees are destroyed by fire at B.'s shop. B. becomes insolvent, and it costs C. 9,000 rupees to complete the work. A. is discharged by C.'s omission to insure, not merely to the extent of the benefit he would have derived from the insurance if it had been effected, but altogether.

(c.) C. lends money to B. on the security of a joint and several promissory note made in C.'s favour by B., and by A. as surety for B., together with a bill of sale of B.'s furniture, which gives power to C. to sell the furniture, and apply the proceeds in satisfaction of the monies due on the note. Subsequently, C. sells the furniture, but, owing to his misconduct and wilful negligence, only a small price is realized. A. is discharged from liability on the note.

(d.) A. puts M. as apprentice to B., and gives a guarantee to B. for M.'s fidelity. B. covenants on his part that he will, at least once a month, see M. make up the cash. B. omits to see this done as agreed, and M. embezzles. A. is not liable to B. on his guarantee.

139. Where a guaranteed debt has become due, or default of the principal to perform a guaranteed duty has taken place, the surety, upon payment or performance of all that he is liable for, is invested with all the rights which the creditor had against the principal.

140. A surety

140. A surety is entitled to the benefit of every security which the creditor has against the principal at the time the contract is entered into, whether the surety knows or does not know of the existence of such security; and if the creditor loses, or, without the consent of the surety, parts with such security, the surety is discharged to the extent of the value of the security.

Illustrations.

(a.) C. advances to B., his tenant, 2,000 rupees on the guarantee of A. C. has also a further security for the 2,000 rupees by a mortgage of B.'s furniture. C. cancels the mortgage. B. becomes insolvent, and C. sues A. on his guarantee. A. is discharged from liability to the amount of the value of the furniture.

(b.) C., a creditor, whose advance to B. is secured by a decree, receives also a guarantee for that advance from A. C. afterwards takes B.'s goods in execution under the decree, and then, without the knowledge of A., withdraws the execution. A. is discharged.

(c.) A., as surety for B., makes a bond jointly with B. to C., to secure a loan from C. to B. After the date of this transaction, C. obtains from B. a further security for the same debt. Subsequently C. gives up the further security. A. is not discharged.

141. Any guarantee which has been obtained by means of misrepresentation made by the creditor, or with his knowledge and assent, concerning a material part of the transaction, is invalid.

Illustrations.

(a.) B. owes C. 800 l. C. agrees to advance B. 2,000 l. on his obtaining a surety for that amount. It is also agreed between B. and C. that the 800 l. should be deducted from that sum. The agreement, which is in writing, states that C. had agreed to advance B. 2,000 l., and that the 800 l. had been repaid: this agreement is read to A. in C.'s presence, but nothing more is said, when A. gives a promissory note for 2,000 l. as surety for B. A. is discharged from liability on the note, as there is a false representation to A. that the 800 l. had been repaid, and that the whole sum of 2,000 l. was to be advanced to B.

(b.) C. represents to A. that he is liable to D. for 3,000 rupees, as surety for A. and B. A. thereupon concurs as surety in a mortgage security given by B. in order to indemnify C. C., in fact, was not liable to D. as alleged. A. is not bound by the security.

142. Any guarantee which the creditor has obtained by means of the concealment of a material circumstance, is invalid.

Illustrations.

(a.) A. engages B. as clerk to collect money for him. B. fails to account for some of his receipts, and A. in consequence calls upon him to furnish security for his duly accounting. C. gives his guarantee for B.'s duly accounting. A. does not acquaint C. with B.'s previous conduct. B. afterwards makes default. The guarantee is invalid.

(b.) A. guarantees to C. payment for iron to be supplied by him to B. to the amount of 2,000 tons. B. and C. have privately agreed that B. should pay five rupees per ton beyond the market price, such excess to be applied in liquidation of an old debt. This agreement is concealed from A. A. is not liable as a surety.

143. Where a person gives a guarantee upon an agreement that the creditor shall not act upon it until another person has joined in it as co-surety, the guarantee is not valid if that other person does not join.

144. In every contract of guarantee there is an implied agreement by the principal debtor to indemnify the surety, and the surety is entitled to recover from the principal whatever sum he has rightly paid under the guarantee.

Illustrations.

(a.) B. is indebted to C., and A. is surety for the debt. C. demands payment from A., and on his refusal sues him for the amount. A. defends the suit, at the request of B., having reasonable grounds for doing so, but he is compelled to pay the amount of the debt with costs. He can recover from B. the amount paid by him for costs, as well as the principal debt.

(b.) C. lends B. a sum of money, and A., at the request of B., accepts a bill of exchange drawn by B. upon A. to secure the amount. C., the holder of the bill, demands payment of it from A., and on A.'s refusal to pay, sues A. upon the bill. A. defends the suit, and has to pay the amount of the bill and costs. He can recover from B. the amount of the bill, but not the sum paid for costs, as there was no real ground for defending the action.

(c.) A. guarantees to C., to the extent of 2,000 rupees, payment of rice to be supplied by C. to B. C. supplies to B. rice to a less amount than 2,000 rupees, but obtains from A.

payment of the sum of 2,000 rupees, in respect of the rice supplied. A. cannot recover from B., more than the price of the rice actually supplied.

145. Where two or more persons are co-sureties for the same debt or duty either jointly or severally, and whether under the same or different agreements, and whether with or without the knowledge of each other, the co-sureties, in the absence of any agreement to the contrary, are liable as between themselves to pay each an equal share of the whole debt, or of that part of it which remains unpaid by the principal.

Illustrations.

(a.) A., B., and C. are sureties to D. for the sum of 3,000 rupees lent to E. E. makes default in payment. A., B., and C. are liable as between themselves to pay 1,000 rupees each.

(b.) A., B., and C. are sureties to D. for the sum of 1,000 rupees lent to E., and it is arranged between A., B., C., and E. that A. is to be responsible to the extent of $\frac{1}{4}$, B. to the extent of $\frac{1}{4}$, and C. to the extent of $\frac{1}{4}$. E. makes default in payment. As between the sureties, A. is liable to pay 250 rupees, B. 250 rupees, and C. 500 rupees.

146. Co-sureties who are bound in different sums are liable to pay equally as far as the limits of their respective obligations permit.

Illustrations.

(a.) A., B., and C., as sureties for D., enter into three several bonds, each in a different penalty, viz., A. in the penalty of 10,000 rupees, B. in that of 20,000 rupees, C. in that of 40,000 rupees, conditioned for D.'s duly accounting to E. D. makes default to the extent of 30,000 rupees. A., B., and C. are each liable to pay 10,000 rupees.

(b.) A., B., and C., as sureties for D., enter into three several bonds, each in a different penalty, viz., A. in the penalty of 10,000 rupees, B. in that of 20,000 rupees, C. in that of 40,000 rupees, conditioned for D.'s duly accounting to E. D. makes default to the extent of 40,000 rupees. A. is liable to pay 10,000 rupees, and B. and C. 15,000 rupees each.

(c.) A., B., and C., as sureties for D., enter into three several bonds, each in a different penalty, viz., A. in the penalty of 10,000 rupees, B. in that of 20,000 rupees, C. in that of 40,000 rupees, conditioned for D.'s duly accounting to E. D. makes default to the extent of 70,000 rupees. Each has to pay the full penalty of his bond.

LAW OF BAILMENT.

147. The delivery of goods by one person to another for some purpose, upon an agreement, that it shall be delivered by the latter back to or according to the directions of the former when the purpose shall have been accomplished, is called a bailment. The person delivering the goods is called the bailor. The person to whom they are delivered is called the bailee.

148. The delivery to the bailee may be made by doing anything which has the effect of putting the goods in the possession of the intended bailee or of any person authorised to hold them on his behalf.

149. The bailor is bound to disclose to the bailee faults in the goods bailed which materially interfere with the use of them, or expose the bailee to extraordinary risks; and if he does not make such disclosure he is responsible for damage arising to the bailee directly from such faults.

Illustration.

A. lends a horse to B. which he knows to be vicious. He does not disclose the fact that the horse is vicious. The horse runs away. B. is thrown and injured. A. is responsible to B. for damage sustained.

150. In all cases of bailment the bailee is bound to take as much care of the goods bailed to him as a man of ordinary prudence would take of his own goods.

151. The bailee, in the absence of any agreement to the contrary, is not responsible for the loss, destruction, or deterioration of the thing bailed, if not caused by his fault.

152. If

152. If the bailee does any act with regard to the goods bailed which is inconsistent with the conditions of the bailment, such act is, at the option of the bailor, a termination of the bailment.

Illustration.

A. lets to B. for hire, a horse for his own riding. B. drives the horse in his carriage. This is at the option of A. a termination of the bailment.

153. If the bailee makes any use of the goods bailed which is not according to the conditions of the bailment, he is liable to make compensation to the bailor for any damage arising to the goods from or during such use of them.

Illustrations.

(a.) A. lent a horse to B. for his own riding only. B. allowed C., a member of his family, to ride the horse. C. rode with care, but the horse accidentally fell and was injured. B. is liable to make compensation to A. for the injury done to the horse.

(b.) A. hired a horse in Calcutta from B. to ride to Benares. A. rode with due care, but rode to Cuttack instead. The horse accidentally fell and was injured. A. is liable to make compensation to B. for the injury to the horse.

154. If the bailee, with the consent of the bailor, mixes the goods of the bailor with his own goods, the bailor and the bailee shall have an interest in proportion to their respective shares in the mixture thus produced.

155. If the bailee, without the consent of the bailor, mixes the goods of the bailor with his own goods, and the goods can be separated, the property in the goods remains in the parties respectively, but the bailee is bound to bear the expense of separation, and any damage arising from the mixture.

156. If the bailee, without the consent of the bailor, mixes the goods of the bailor with his own goods, so that it is impossible to separate the goods bailed from the other goods and deliver them back, the bailor is entitled to be compensated by the bailee for the loss of the goods.

157. Where by the conditions of the bailment the goods are to be kept or to be carried, or to have work done upon them by the bailee for the bailor, and the bailee is to receive no remuneration, the bailor shall repay to the bailee the necessary expenses incurred by him for the purpose of the bailment.

158. Where the bailment is gratuitous, the bailor is entitled at any time upon reasonable notice to the restoration of the goods bailed.

159. The bailee must return the goods bailed without demand as soon as the time for which they were bailed has expired, or the purpose for which they were bailed has been accomplished.

160. If, by the fault of the bailee, the goods are not delivered or tendered at the proper time, he is responsible to the bailor for any loss, destruction, or deterioration of the goods from that time.

161. The bailment, where gratuitous, is terminated by the death either of the bailor or of the bailee.

162. In the absence of any agreement to the contrary, the bailee is bound to deliver to the bailor or according to his directions any increase or profit which may have accrued from the goods bailed.

Illustration.

A. leaves a cow in the custody of B., who takes care of it gratuitously. The cow has a calf. B. is bound to deliver the calf as well as the cow to A.

163. The bailor is responsible to the bailee for any loss which he may sustain by reason that the bailor was not entitled to make the bailment, or to receive back the goods or to give directions respecting them.

164. If several joint owners of goods bail them, the bailee may deliver them back to, or according to the directions of, one joint owner without the consent of all, in the absence of any agreement to the contrary.

165. If the bailor has no title to the goods, and the bailee delivers them back

to or according to the directions of the bailor, the bailee is not responsible to the owner in respect of such delivery.

166. If a third person claims goods bailed, he may apply to the Court to stop the delivery of the goods to the bailor, and to decide the title to the goods.

167. The finder of goods has no right to sue the owner for compensation for trouble and expense voluntarily incurred by him to preserve the goods and to find out the owner, but he has a right to retain the goods against the owner until he receives such compensation; and where the owner offers a specific reward for the return of goods lost, the finder has a right to retain them until he receives the reward.

168. Where the bailee has, in accordance with the purpose of the bailment, rendered any service involving the exercise of labour or skill on the goods bailed, he has, in the absence of any agreement to the contrary, a right to retain the goods until he receives remuneration for the services he has rendered in respect of them.

Illustrations.

(a.) A. delivers a rough diamond to B., a jeweller, to be cut and polished, which is accordingly done. B. is entitled to retain the stone till he is paid for the services he has rendered.

(b.) A. gave some cloth to B., a tailor, to make into a coat. A. agreed with B. that the coat should be delivered as soon as it was finished, and that three months' credit should be given for the price. B. is not entitled to retain the coat until he is paid.

169. In the absence of any agreement to the contrary, bankers, factors, and wharfingers have no right to retain any goods bailed to them as a security for a general balance of account.

170. The bailment of goods as security for payment of a debt or performance of an engagement is called pledge. The bailor is in this case called the pawnor. The bailee is called the pawnee.

171. The pawnee may retain the goods pledged not only for payment of the debt or the performance of engagement, but for the interest of the debt and all necessary expenses incurred by him in respect of the possession or for the preservation of the goods pledged.

172. The pawnee shall not retain the goods pledged for any other debt or engagement than the debt or engagement for which they are delivered, except by agreement between the parties; but such agreement in the absence of anything to the contrary will be presumed in regard to subsequent advances made by the pawnee.

173. The pawnee is entitled to receive from the pawnor extraordinary expenses incurred by him for the preservation of the goods pledged.

174. If the pawnor makes default in payment of the debt or performance of the engagement at the stipulated time, the pawnee may bring a suit against the pawnor upon the debt or engagement, and retain the goods pledged as a collateral security, or may sell the thing pledged on giving the pawnor reasonable notice of the sale. If the proceeds of the sale are less than the amount due in respect of the debt or engagement, the pawnor is still liable to pay the balance. If the proceeds of the sale are greater than the amount so due, the pawnee shall pay over the surplus to the pawnor.

175. If a time is stipulated for the payment of the debt or performance of the engagement for which the pledge is made, and the pawnor makes default in payment of the debt or performance of the engagement at the stipulated time, he may redeem the goods pledged at any time before the actual sale of them.

176. A person who is in possession of goods, or of any bill of lading, dock warrant, warehouse keepers' certificate, warrant or order for delivery, or any other document of title to goods, may make a valid pledge of such goods or documents, provided that the pawnee acts in good faith and under circumstances which are not such as to raise a reasonable presumption that the pawnor is acting improperly.

177. Where

177. Where a person pledges goods in which he has only a limited interest, the pledge is valid to the extent of that interest.

178. If a third person wrongfully deprives the bailee of the use or possession of the goods bailed, or does them any injury, the bailee is entitled to use such remedies as the owner might use in the like case if no bailment had been made, and either the bailor or the bailee may bring a suit against a third person for such deprivation or injury.

179. Whatever is obtained by way of relief or compensation in any such suit shall, as between the bailor and the bailee, be dealt with according to their respective interests.

AGENCY.

180. An agent is a person employed to do any act for another, or to represent another in dealings with third persons. The person for whom the act is done, or who is so represented, is called the principal.

181. Any person who is of the age of majority according to the law to which he is subject, and who is of sound mind, may employ an agent.

182. As between the principal and third persons, any person may become an agent; but no person who is not of the age of majority and of sound mind can become an agent, so as to be responsible to his principal according to the provisions in that behalf herein contained.

183. No consideration is necessary to create an agency.

184. The authority of an agent may be expressed or implied.

185. An authority is said to be expressed when it is given by words spoken or written. An authority is said to be implied when it is to be inferred from the circumstances of the case; and things spoken or written, or the ordinary course of dealing, may be accounted circumstances of the case.

Illustration.

A. owns a shop in Serampore, living himself in Calcutta, and visiting the shop occasionally. The shop is managed by B., and he is in the habit of ordering goods from C. in the name of A. for the purposes of the shop, and of paying for them out of A.'s funds with A.'s knowledge. B. has an implied authority from A. to order goods from C. in the name of A. for the purposes of the shop.

186. An agent having an authority to do any act, has authority to do every lawful thing which is necessary in order to do such act; and an agent having an authority to carry on any business, has authority to do every lawful thing necessary for the purpose of or usually done in the course of conducting such business.

Illustrations.

(a.) A. is employed by B., residing in London, to recover at Bombay a debt due to B. A. may adopt any legal process necessary for the purpose of recovering the debt, and may give a valid discharge for the same.

(b.) A. constitutes B. his agent to carry on his business of a shipbuilder. B. may purchase timber and other materials, and hire workmen for the purpose of carrying on the business.

187. An agent has authority in an emergency to do all such acts for the purpose of protecting his principal from loss as would be done by a person of ordinary prudence in his own case under similar circumstances.

Illustrations.

(a.) A ship is driven on shore. The master has authority to hire men and boats to get her off, and to incur all necessary expenses for re-fitting her.

(b.) A. consigns provisions to B. at Calcutta, with directions to send them immediately to C. at Cuttack. B. may sell the provisions at Calcutta if they will not bear the journey without spoiling.

188. Contracts entered into through an agent, and obligations arising from acts done by an agent, may be enforced in the same manner, and will have the same legal consequences as if the contracts had been entered into and the acts done by the principal in person.

Illustrations.

(a.) A. buys goods from B., knowing that he is an agent for their sale, but not knowing who is the principal. B.'s principal is the person entitled to claim from A. the price of the goods, and A. cannot set off against that claim a debt due to himself from B.

(b.) A. being B.'s agent with authority to receive money on his behalf, receives from C. a sum of money due to B. C. is discharged of his obligation to pay the sum in question to B.

189. Where an agent does more than he is authorized to do, what he does within the scope of his authority, if it can be separated from what is beyond that scope, is binding as between the principal and the agent; the rest not.

Illustration.

A., being owner of a ship and cargo, authorizes B. to procure an insurance for 4,000 rupees on the ship. B. procures a policy for 4,000 rupees on the ship, and another for the like sum on the cargo. A. is bound to pay the premium for the policy on the ship, but not the premium for the policy on the cargo.

190. Where an agent does more than he is authorized to do, and what he does beyond the scope of his authority cannot be separated from what is within it, the whole is void as against the principal.

Illustration.

A. authorizes B. to buy 500 sheep for him. B. buys 500 sheep and 200 lambs for one sum of 6,000 rupees. The whole transaction is void as against A.

191. A sub-agent is a person employed by and acting under the control of the original agent in the business of the agency.

192. An agent cannot lawfully employ another to perform acts which he has expressly or impliedly undertaken to perform personally.

193. Where a sub-agent is properly appointed, the principal is, so far as regards third persons, represented by the sub-agent, and is bound by and responsible for his acts, as if he were an agent originally appointed by the principal.

The agent is responsible to the principal for the acts of the sub-agent.

The sub-agent is responsible for his acts to the agent but not to the principal, except in cases of fraud or wilful wrong.

194. Where an agent has appointed a person to act as a sub-agent without having authority to do so, the agent stands towards that person in the relation of a principal to an agent, and is responsible for his acts both to the principal and to third persons, and the principal is not represented by or responsible for the acts of the person so employed, nor is that person responsible to the principal.

195. Where an agent, holding an express or implied authority to name another person to act for the principal in the business of the agency, has named another person accordingly; such person is not a sub-agent, but an agent of the principal for such part of the business of the agency as is entrusted to him.

Illustrations.

(a.) A. directs B., his solicitor, to sell his estate by auction, and to employ an auctioneer for the purpose. B. names C., an auctioneer, to conduct the sale. C. is not a sub-agent, but is A.'s agent for the conduct of the sale.

(b.) A., a merchant in Calcutta, consigns goods to B., a merchant in London, and directs him to sell the goods. B. appoints C., a broker, to sell the goods for A. C. is not a sub-agent, but is agent for A.

(c.) A. appoints B., a merchant in Calcutta, his attorney, for the purpose of recovering the monies due to A. from C. & Co. B. instructs D., a solicitor, to take legal proceedings against C. & Co. for the recovery of the money. D. is not a sub-agent, but is solicitor for A.

196. In selecting such agent for his principal, an agent is bound to exercise the same amount of discretion as a man of ordinary prudence would exercise in his own case, and if he does this he will not be responsible to the principal for the acts or negligence of the agent so selected.

Illustrations.

(a.) A. directs B. to buy and ship a cargo of indigo for him, and to have the cargo properly insured. B. employs an insurance broker of good reputation, who effects an insurance on the cargo. The ship, having the cargo on board, is lost; but owing to the omission of some usual stipulations in the policy of assurance the underwriters refuse to pay the sum insured. B. is not responsible to A. for the loss, but the insurance broker is.

(b.) B., the agent of A., employs an auctioneer in good credit to sell goods of A., and allows the auctioneer to receive the proceeds of the sale. The auctioneer afterwards becomes insolvent without having accounted for the proceeds. B. is not responsible to A. for the proceeds.

197. An agent is bound to conduct the business of his principal according to the directions given by the principal, or, in the absence of any such directions, according to the custom which prevails in doing business of the same kind. When the agent adopts a different course, if any loss be sustained he must make it good to his principal, and if any profit accrues he must account for it.

Illustrations.

(a.) A., an agent engaged in carrying on for B. a business in which it is the custom to invest from time to time at interest the monies which may be in hand, omits to make such investment. A. must make good to the principal the interest usually obtained by such investments.

(b.) B., a broker, in whose business it is not the custom to sell on credit, sells goods of A. on credit to C., whose credit at the time was very high. C., before payment, becomes insolvent. B. must make good the loss to A.

198. An agent is bound to conduct the business of the agency with as much skill as is generally possessed by persons engaged in similar business; unless the principal has notice of his want of skill. The agent is always bound to act with diligence, and to use such skill as he possesses; and to make compensation to his principal in respect of the direct consequences of his own neglect, want of skill, or misconduct, but not in respect of loss or damage which are indirectly or remotely caused by such neglect, want of skill, or misconduct.

Illustrations.

(a.) A., a merchant in Calcutta, has an agent B. in London, to whom a large sum of money is paid on A.'s account. B. improperly retains the money for a considerable time. A., in consequence of not receiving the money, becomes bankrupt. B. is liable for the money and interest from the day on which it ought to have been paid, according to the usual rate, but not further.

(b.) A., an agent for the sale of goods, having authority to sell on credit, sells to B. on credit, without making the proper and usual inquiries as to the solvency of B. B., at the time of such sale, is insolvent. A. must make compensation to his principal in respect of any loss thereby sustained.

(c.) A., an insurance broker employed by B. to effect an insurance on a ship, omits to see that the usual clauses are inserted in the policy. The ship is afterwards lost. In consequence of the omission of the clauses nothing can be recovered from the underwriters. A. is bound to make good the loss to B.

(d.) A., a merchant in England, directs B., his agent at Bombay, to send him 100 bales of cotton by a certain ship. B., having it in his power to send the cotton, omits to do so. The ship arrives safely in England. Soon after her arrival the price of cotton rises. B. is bound to make good to A. the profit which he might have made by the 100 bales of cotton at the time the ship arrived, but not any profit he might have made by the subsequent rise.

199. An agent is bound to render proper accounts to his principal on demand.

200. It is the duty of an agent in cases of difficulty to use all reasonable diligence in communicating with his principal, and in seeking to obtain his instructions.

201. If a person who is an agent deals on his own account in the business of the agency without first obtaining the consent of the principal, and acquainting him with all matters which have come to his own knowledge on the subject, the

principal is at liberty, on discovering such circumstances, either to adopt or to repudiate the transaction.

Illustrations.

(a.) A. directs B. to sell A.'s estate. B. buys the estate for himself, in the name of C. A., on discovering that B. has bought the estate for himself, may either repudiate or adopt the sale at his option.

(b.) A. directs B. to sell A.'s estate. B. on looking at the estate before selling it, finds a mine on the estate which is unknown to A. B. informs A. that he wishes to buy the estate for himself, but conceals the discovery of the mine. A. allows B. to buy, in ignorance of the existence of the mine. A., on discovering that B. knew of the mine at the time he bought the estate, may either repudiate or adopt the sale at his option.

202. An agent dealing on his own account with his principal in the business of the agency is not entitled to any remuneration as agent notwithstanding that the principal adopts the transaction.

Illustration.

A. agrees that if B. will find a purchaser for his land in Bombay at 2 rupees a yard, A. will give B. 5 per cent. commission. B. afterwards buys on his own account, and A. adopts the contract. B. is not entitled to any commission.

203. If an agent without the knowledge of his principal deals in the business of the agency on his own account instead of on account of his principal, the principal is entitled to claim from the agent any benefit which may have resulted to him from the transaction.

Illustration.

A. directs B. to buy a certain house for him. B. tells A. it cannot be bought, and buys the house for himself. A. may, on discovering that B. has bought the house, compel him to sell it to A. at the price he gave for it.

204. An agent may retain out of any sums received on account of the principal in the business of the agency all monies due to himself in respect of advances made or expenses incurred by him in conducting such business, and also such compensation as may be payable to him for acting as agent.

205. Subject to such deductions, the agent is bound to pay to his principal all sums received on his account.

206. In the absence of any agreement to the contrary, remuneration in respect of the performance of any act is not due to the agent until the completion of such act.

207. An agent who is guilty of gross misconduct in the business of the agency is not entitled to any remuneration in respect of that part of the business which has been so misconducted.

Illustrations.

(a.) A. employs B. to recover 100,000 rupees from C., and lay it out on good security. B. recovers the 100,000 rupees, and lays out 90,000 rupees on good security, but lays out 10,000 rupees on insufficient security, whereby A. loses 2,000 rupees. B. is entitled to remuneration for recovering the 100,000 rupees, and for investing the 90,000 rupees. He is not entitled to any remuneration for investing the 10,000 rupees, and he must make good the 2,000 rupees to A.

(b.) A. employs B. to recover 1,000 rupees from C. Through B.'s misconduct the money is not received. B. is entitled to no remuneration for his services, and must make good the loss.

208. In the absence of any agreement to the contrary, an agent is entitled to retain goods, papers, and other property of the principal committed to his charge, until the amount due to himself for commission, disbursements, and services in respect of the same has been paid or accounted for to him.

209. Where acts are done by one person on behalf of another, but without his knowledge, he may elect to ratify or to disown such acts. If he ratify them, the same effects will follow as if they had been performed by his authority.

210. Ratification may be expressed or may be implied in the conduct of the person on whose behalf the acts are done.

Illustration.

A., without authority, buys goods for B.; afterwards sells them to C. on his own account. B.'s conduct implies a ratification of the purchase made for him by A.

211. No valid ratification can be made by a person whose knowledge of the facts of the case is materially defective.

212. A person ratifying any unauthorised act done on his behalf ratifies the whole of the transaction of which such act formed a part.

213. An act done without authority, which if done with authority would have the effect of subjecting a third person to damages, or of terminating any right or interest of a third person, cannot by ratification be made to have such effect.

Illustration.

(a.) A., an unauthorised person, requires on account of B., the owner of a chattel, the delivery of the chattel to B. This demand cannot be ratified by B. so as to make the holder liable for damages for default.

(b.) A. holds a lease from B. terminable on three months' notice. C., an unauthorised person, gives notice of termination to A. The notice cannot be ratified so as to be binding on A.

214. Any notice given to, or information obtained by, the agent, provided it be given or obtained in the course of the business transacted by him for the principal, will, as between the principal and third parties, have the same legal consequences as if it had been given to or obtained by the principal.

Illustrations.

(a.) A. is employed by B. to buy certain goods from C., and buys them accordingly. In the course of the treaty for the sale A. learns that the goods really belonged to D., but B. is ignorant of that fact. B. is not entitled to set off a debt owing to him from C. against the price of the goods.

(b.) A. is employed by B. to buy goods from C. A. was, before he was so employed, a servant of C., and then learnt that the goods really belonged to D., but B. is ignorant of that fact. In spite of the knowledge of his agent, B. may set off against the price of the goods a debt owing to him from C.

215. In the absence of any agreement to the contrary, an agent cannot personally enforce contracts entered into by him on behalf of his principal, nor is he personally bound by them.

Explanation.—Such an agreement may be implied in the following cases:—

- (1.) Where the contract is made by an agent for the sale or purchase of goods for a merchant resident abroad.
- (2.) Where the agent does not disclose the name of his principal.
- (3.) Where the principal, though disclosed, cannot be sued.

216. Where one man enters into an engagement by contract with another, having no knowledge or reasonable ground of suspicion that the other is an agent, the principal, if he requires the performance of the engagement, can only obtain it subject to the rights and obligations subsisting between the agent and the other party to the contract.

Illustration.

A., who owes 500 rupees to B., sells 1,000 rupees' worth of rice to B. A. is acting as agent for C. in the transaction, but B. has no knowledge nor reasonable ground of suspicion that such is the case. C. cannot compel B. to take the rice without allowing him to set off A.'s debt.

217. In cases where the agent is personally liable, a person dealing with him may hold either him or his principal, or both of them, liable.

Illustration.

A. enters into a contract with B. to sell him 100 bales of cotton, and afterwards discovers that B. was acting as agent for C. A. may sue either B. or C., or both, for the price of the cotton.

218. A person who enters into a contract with an agent, if he afterwards induces the agent to do any act in the belief that the principal will be held exclusively liable on the contract, cannot hold the agent liable; and in like manner if he induces the principal to do any act in the belief that the agent will be held exclusively liable, he cannot hold the principal liable.

Illustration.

A., in Bombay, agrees as agent for B., a merchant in London, to buy 100 bales of cotton from C. C. intimates to B. that he intends to hold A. exclusively liable for the price of the cotton, and B., relying upon this intimation, settles his account with A., giving A. credit for the price of the cotton. A. afterwards becomes bankrupt without having paid the price of the cotton to C. C. cannot hold B. liable for the price of the cotton.

219. A person untruly representing himself to be the authorised agent of another, and thereby inducing a third person to deal with him as such agent, is liable, if his supposed employer does not ratify his acts, to make compensation to the other, according to the rules laid down in the chapter on contracts, sect. 63, in respect of any loss or damage which he has incurred by so dealing.

220. A person with whom a contract has been entered into in the character of agent is not entitled to require the performance of it if he was in reality acting, not as agent, but on his own account.

221. When an agent has, without authority, done acts or incurred obligations to third persons on behalf of his principal, the principal is bound by such acts or obligations if he had by his words or conduct induced such persons to believe that such acts and obligations were within the scope of the agent's authority.

Illustrations.

(a.) A. consigns goods to B. for sale, and gives him verbal instructions not to sell under a fixed price. C., being ignorant of B.'s instructions, enters into an agreement with B. to buy the goods at a price lower than the reserved price. A. is bound by the agreement.

(b.) A. knows that B. is an agent of C., and acting under written instructions from C., but makes an agreement with B. as C.'s agent without asking to see the instructions. The terms of the agreement are contrary to the instructions. C. is not bound by the agreement.

222. The master of a ship has not as such any authority to sign bills of lading without receiving the goods to which they refer.

223. A master is bound to make compensation to third persons for injuries caused by the negligence or unskilfulness of his servant acting as such; but not for his wilful misconduct.

Illustrations.

(a.) A.'s coachman, driving A.'s carriage on A.'s business, strikes B.'s horses, not wantonly, but in order to extricate himself from a difficulty, and causes the horses to run away, in consequence of which B.'s carriage is overturned and broken. A. is liable to make compensation to B. in respect of the loss or damage caused to him by the breaking of the carriage.

(b.) A.'s coachman, driving A.'s coach on A.'s business, wantonly strikes B.'s horses, which run away, in consequence of which B.'s carriage is overturned and broken. A. is not, but his coachman is, liable to make compensation to B. in respect of the loss or damage caused to him by the breaking of the carriage.

(c.) The commander of A.'s ship, navigating the ship on A.'s business, through negligence runs over B.'s boat. A. is liable to make compensation to B. in respect of loss or damage caused to him thereby.

(d.) The commander of A.'s ship, navigating the ship on A.'s business, intentionally runs over B.'s boat. A. is not, but the commander is, liable to make compensation to B. in respect of loss or damage caused to him thereby.

(e.) A.'s coachman, driving A.'s coach, but not on A.'s business, through negligence runs over B., who thereby sustains severe bodily injury. A. is not, but the coachman is, liable to make compensation to B. in respect of such injury.

(f.) A. employs B. to act as conductor of his omnibus. C. enters the omnibus, and, having behaved improperly there, is removed by B. with unnecessary violence. In consequence of B.'s violence, C. is seriously injured. A. is not, but B. is, liable to make compensation to C. in respect of the effects of such injury.

(g.) A. was in the habit of buying corn, and directing the vendor to deliver it at B.'s wharf, and of paying for the corn on the production of the receipt of B. or his servant. B.'s servant, whose duty it was to receive the corn, and give receipts for it on behalf of B., gave C. a receipt for corn that had never been delivered, and thus enabled C. to obtain money from A. B. is not liable to make compensation to A. in respect of the loss caused to him by the conduct of B.'s servant.

224. A person

224. A person who employs another to do a lawful act, otherwise than as a servant, is not responsible for injuries caused to third persons in the doing of that act by the negligence or unskilfulness of the person employed, except in any case where the injuries may have been caused by conduct which the employer had authorised or adopted.

Illustrations.

(a.) A. employs B., a builder, to pull down and rebuild A.'s house. In consequence of the negligence of B.'s workmen in pulling down the house, the front of C.'s house, which adjoins A.'s, falls down. A. is not liable to make good the loss to C., but B. is.

(b.) A. employs B., a builder, to execute certain alterations in a house, including the preparation and fixing of gas fittings. B. makes a sub-contract with C., a gas fitter, to execute this part of the work. D. is injured by an explosion of gas, caused by C.'s negligence. C. is, but A. and B. are not, liable to make compensation to D. in respect of such injury.

225. A person who is bound to do any act is responsible for all injuries arising from the non-performance of such act, although he may have employed another to do it.

Illustrations.

(a.) A. is bound to repair the wall of his house, which is in a dangerous state. He employs B. to repair it. B. omits to do so. The wall falls down; and in doing so draws with it a part of an adjoining house belonging to C. A. is liable to make good the loss to C.

(b.) A. is bound to cover in a drain in front of his house, and employs B. to do so. B. neglects to cover in the drain; in consequence of B.'s negligence, C. falls into the drain, and is hurt. A. must make compensation to C.

226. A person employing another to do any act is bound to make compensation to third persons in respect of injuries caused directly by such act.

Exception.—Where two persons are engaged as agents or servants to the same master for a common object, the master is not bound to make compensation to one servant in respect of loss or damage arising from the misconduct, negligence, or want of skill of the other, unless he neglected to use ordinary care in the selection of the servant who has caused the injuries.

Illustrations.

(a.) A. employs B. to build a house according to a particular plan. The house cannot be built without obscuring the lights of a neighbour's house. The house is built accordingly. A. is liable to make good the loss or damage thereby sustained by the neighbour.

(b.) The guard of a train is injured through the neglect of the platelayers to keep the line in proper order. Ordinary care had been used in the selection of the platelayers. The railway company is not liable to indemnify the guard.

227. The master must make compensation to his agent or servant in respect of injury caused to such agent or servant by the master's neglect or want of skill.

Illustration.

A. employs B. as a bricklayer in building a house, and puts up the scaffolding himself. The scaffolding is unskilfully put up, and B. is in consequence hurt. A. must make compensation to B.

228. The principal cannot retain any profit resulting from the fraud of his agent, although such fraud has been unauthorised by or unknown to the principal.

229. An agent is not responsible to third persons for injuries to them arising from his neglect of duty, but he is bound to make compensation to his employer against all sums paid by him on account of such injuries.

Illustration.

A. is bound to cover in a drain in front of his house, and employs B. to do so. B. neglects to cover in the drain; in consequence of B.'s negligence, C. falls into the drain, and is hurt. B. is not liable to make compensation to C.; but B. must make compensation to A. in respect of any compensation which A. has been compelled to make to C.

230. An agent is in all cases responsible to third persons for wrongful acts done by him, though such acts may have been previously commanded or subsequently ratified by his employer.

231. An agency is terminated by the principal revoking his authority, or by the agent renouncing the business of the agency, or by the business of the agency being completed, or by either the principal or agent dying or becoming of unsound mind; or by the principal being adjudicated an insolvent under the provisions of any Act for the time being in force for the relief of insolvent debtors.

232. Where the agent has himself an interest in the property which forms the subject matter of the agency, the agency cannot be terminated to the prejudice of such interest:

Illustrations.

(a.) A. gives authority to B. to sell A.'s land, and to pay himself out of the proceeds the debts due to him from A. A. cannot revoke this authority, nor can it be terminated by his insanity or death.

(b.) A. consigns 1,000 bales of cotton to B., who has made advances to him on such cotton, and desires B. to sell the cotton, and to repay out of the price the amount of his own advances. A. cannot revoke this authority, nor is it terminated by his insanity or death.

233. The principal may (save as is otherwise provided by the last preceding section) revoke the authority given to his agent, at any time before the authority has been exercised so as to bind the principal.

234. The principal cannot revoke the authority given to his agent after the authority has been partly exercised, so far as regards such acts and obligations as arise from acts already done in the agency.

Illustrations.

(a.) A. authorises B. to buy 1,000 bales of cotton on account of A., and to pay for it out of A.'s monies remaining in his hands. B. buys 1,000 bales of cotton in his own name, so as to make himself personally liable for the price. A. cannot revoke his authority so far as regards payment for the cotton.

(b.) A. authorises B. to buy 1,000 bales of cotton on account of A., and to pay for it out of A.'s monies remaining in B.'s hands. B. buys 1,000 bales of cotton in A.'s name, and so as not to render himself personally liable for the price. A. can revoke B.'s authority to pay for the cotton.

235. If it has been agreed expressly or by implication that the agency should be continued for any period of time, the principal must make compensation to the agent, or the agent to the principal, as the case may be, for any previous revocation or renunciation of the agency without sufficient cause.

236. Reasonable notice must be given of such revocation or renunciation, or the damage thereby resulting to the principal or the agent, as the case may be, must be made good to him by the other.

237. Revocation and renunciation may be expressed, or may be implied in the conduct of the principal or agent respectively.

Illustration.

A. empowers B. to let A.'s house. Afterwards A. lets it himself. This is an implied revocation of B.'s authority.

238. The termination of the authority of an agent does not, so far as regards the agent, take effect before it becomes known to him, or, so far as regards third persons, before it becomes known to them.

Illustrations.

(a.) A. directs B. to sell goods for him, and agrees to give B. 2 per cent. commission on the price fetched by the goods. A. afterwards by letter revokes his authority. B., after the letter is sent, but before he receives it, sells the goods for 100 rupees. The sale is binding on A., and B. is entitled to two rupees as his commission.

(b.) A., at Madras, by letter directs B. to sell some cotton lying in a warehouse in Bombay for him, and afterwards by letter revokes his authority to sell, and directs B. to send the cotton to Madras. B. after receiving the second letter enters into a contract with C., who knows of the first letter but not of the second, for the sale to him of the cotton. C. pays B. the money, with which B. absconds. The contract is binding on A.

239. When

239. When an agency is terminated by the principal dying or becoming of unsound mind, the agent is bound to take all reasonable steps for the protection and preservation of the property entrusted to him.

Illustrations.

(a.) A. in London consigns to his agent B. at Calcutta for sale a cargo of porcelain. A. dies. B.'s duty, under ordinary circumstances, is to warehouse and retain the porcelain.

(b.) A. in New York consigns to B. in Calcutta for sale a cargo of ice. A. dies. It is B.'s duty to sell the ice as soon as possible.

240. The termination of the authority of an agent causes the termination of the authority of all sub-agents appointed by him, subject to the rules herein contained regarding the termination of an agent's authority.

PARTNERSHIP.

241. Partnership is the relation which subsists between persons who have agreed to combine their property, labour, or skill in some business, and to share the profits thereof between them.

Persons who have entered into partnership with one another are called collectively a firm.

Illustrations.

(a.) A. and B. buy 100 bales of cotton, which they agree to sell for their joint profit; A. and B. are partners in respect of such cotton.

(b.) A. and B. buy 100 bales of cotton, agreeing to share it between them. A. and B. are not partners.

(c.) A. agrees with B., a goldsmith, to buy and furnish gold to B., to be worked up by him, and sold, and that they shall share in the profits. A. and B. are partners.

(d.) A. and B. agree to work together as carpenters, but that A. shall receive all profits, and shall pay wages to B. A. and B. are not partners.

(e.) A. and B. are joint owners of a ship. This circumstance does not make them partners.

242. A loan to a person engaged or about to engage in any trade or undertaking upon a contract with such person that the lender shall receive interest at a rate varying with the profits, or that he shall receive a share of the profits, does not, of itself, constitute the lender a partner, or render him responsible as such.

243. In the absence of any agreement to the contrary, property left by a retiring partner or the representative of a deceased partner to be used in the business, is to be considered a loan.

244. No contract for the remuneration of a servant or agent of any person engaged in any trade or undertaking by a share of the profits of such trade or undertaking shall, of itself, render such servant or agent responsible as a partner therein nor give him the rights of a partner.

245. No person being a widow or child of a deceased partner of a trader, and receiving by way of annuity a portion of the profits made by such trader in his business, shall, by reason only of such receipt, be deemed to be a partner of such trader, or be subject to any liabilities incurred by him.

246. No person receiving by way of annuity or otherwise a portion of the profits of any business, in consideration of the sale by him of the goodwill of such business, shall, by reason only of such receipt, be deemed to be a partner of the person carrying on such business, or be subject to his liabilities.

247. A person who has, by words spoken or written, or by his conduct, led another to believe that he is a partner in a particular firm is responsible to him as a partner.

248. Any one permitting himself to be represented as a partner is liable as such to third persons, who on the faith thereof, give credit to the partnership.

249. A person who is under the age of majority, according to the laws to which he is subject, may be admitted to the benefits of partnership, but cannot

be made personally liable for any obligation of the firm ; but the share of such minor in the property of the firm is liable for the obligations of the firm.

250. A person who has been admitted to the benefits of partnership under the age of majority, becomes on attaining that age liable for all obligations incurred by the partnership since he was so admitted, unless he gives public notice within a reasonable time of his repudiation of the partnership.

251. Every partner is liable for all debts and obligations incurred by or on behalf of the partnership.

252. Every partner is liable to make compensation to third persons in respect of loss or damage arising from the neglect or fraud of any partner in the management of the business of the firm.

253. Each partner who does any act necessary for or usually done in carrying on the business of such a partnership as that of which he is a member, binds his copartners to the same extent as if he were their agent duly appointed for that purpose.

Exception.—If it has been agreed between the partners that any restriction shall be placed upon the power of any one of them, no act done in contravention of such agreement shall bind the firm with respect to persons having notice of such agreement.

Illustrations.

(a.) A. and B. trade in partnership, A. residing in England and B. in India. A. draws a bill of exchange in the name of the firm. B. has no notice of the bill, nor is he at all interested in the transaction. The firm is liable on the bill, provided the holder did not know of the fraud.

(b.) A., being one of a firm of solicitors and attorneys, draws a bill of exchange in the name of the firm without authority. The other partners are not liable on the bills.

(c.) A. and B. carry on business in partnership as bankers ; a sum of money is received by A. on behalf of the firm. A. does not inform B. of such payment, and afterwards A. appropriates the money to his own use. The partnership is liable to make good the money.

(d.) A., a partner, takes upon him to agree that his firm shall submit to an arbitration. His undertaking is void.

(e.) A. and B. are partners. A., with the intention of cheating B., goes to a shop and purchases articles such as might be used in the partnership business, which he converts to his own separate use, there being no collusion between him and the seller. The firm is liable for the price of the goods.

254. Where partners have by agreement regulated and defined as between themselves their rights and obligations, such agreement can be annulled or altered only by consent of all of them, which consent must either be expressed or be implied from a uniform course of dealing.

Illustration.

A., B., and C., intending to enter into partnership, execute written articles of agreement, by which it is stipulated that the net profits arising from the partnership business shall be equally divided between them. Afterwards they carry on the partnership business for many years, A. receiving one-half of the net profits, and the other half being divided equally between B. and C. without any remonstrance on their part. This course of dealing supersedes the provision in the articles as to the division of profits.

255. In the absence of any agreement to the contrary, the relations of the partners to each other are determined by the following rules :

(1.) All partners are joint owners of all property originally brought into the partnership stock, or bought with money belonging to the partnership, or acquired for the purposes of the partnership business. All such property is called partnership property. The share of each partner in the partnership property is the value of his original contribution, increased or diminished by his share of profit or loss.

(2.) All partners are entitled to share equally in the profits of the partnership business, and must contribute equally towards the losses sustained by the partnership.

(3.) Each

(3.) Each partner has a right to take part in the management of the partnership business.

(4.) Each partner is bound to attend diligently to the business of the partnership, and is not entitled to any remuneration for acting in such business.

(5.) All ordinary matters of partnership business may be done with the consent of the majority of the partners; but no change in the nature of the business of the partnership can be made except with the consent of all the partners.

(6.) No person can introduce a new partner into a firm without the consent of all the partners.

(7.) If from any cause whatsoever, any member of a partnership ceases to be so, the partnership is dissolved as between all the other members.

(8.) Unless the partnership has been entered into for a fixed term, any partner may retire from it at any time.

(9.) Where a partnership has been entered into for a fixed term, no partner can during such term retire, except with the consent of all the partners, nor can he be expelled by his partners for any cause whatever.

(10.) Partnerships, whether entered into for a fixed term or not, are dissolved by the death of any partner.

256. At the suit of a partner the court may dissolve the partnership in the following cases :—

(1.) When a partner becomes of unsound mind.

(2.) When a partner other than the person suing has been adjudicated an insolvent under any law relating to insolvent debtors.

(3.) When a partner other than the person suing has done any act by which the whole interest of such partner is legally transferred to a third person.

(4.) When any partner becomes incapable of performing his part of the partnership contract.

(5.) When a partner other than the person suing is guilty of gross misconduct in the affairs of the partnership or towards his partners.

(6.) When the business can only be carried on at a loss.

257. A partnership is in all cases dissolved by its business being prohibited by law.

258. If a partnership entered into for a fixed term be continued after such term has expired, the right and obligations of the partners will, in the absence of any agreement to the contrary, remain the same as they were at the expiration of the term, so far as such rights and obligations can be applied to a partnership dissolvable at the will of any partner.

259. Partners are bound to carry on the business of the partnership for the greatest common advantage, to be just and faithful to each other, and to render true accounts and full information of all things affecting the partnership to any partner or his legal representatives.

260. A partner must account to the firm for any benefit derived from a transaction affecting the partnership.

Illustrations.

(a.) A. and B. are partners for the sale of a mineral of a certain description. A. keeps a shop near a mine where this mineral is found, and buys it from the miners, giving them goods in which he deals in exchange. A. must account to B. for the profit which he obtains by selling his own goods as well as for that which he derives from the sale of the mineral.

(b.) A. B. and C. are partners in trade. C., without the knowledge of A. and B., obtains for his own sole benefit a lease of the house in which the partnership business is carried on. A. and B. are entitled to participate, if they please, in the benefit of the lease.

(c.) A. B. and C. carry on business together in partnership as merchants, trading between Bombay and London. D., a merchant in London, to whom they make their consignments, secretly allows C. a share of the commission which he receives upon such consignments, in consideration of C.'s using his influence to obtain the consignments for him. C. is liable to account to the firm for the money so received by him.

261. If a partner, without the knowledge and consent of the other partners, carries on any business competing or interfering with that of the firm, he must account to the firm for all profits made in such business, and must make compensation to the firm for any loss occasioned thereby.

262. Every person introduced as a partner into a pre-existing firm is subject to all the obligations incurred by the firm before he was introduced.

263. A continuing guarantee, given either to a firm or to a third person in respect of the transactions of a firm, is not revoked as to future transactions by any change in the firm to which, or in respect of the transactions of which, such guarantee was given.

264. The estate of a partner who has died is not liable in respect of any obligation incurred by the firm after his death.

265. Where there are joint debts due from the partnership, and also separate debts due from any partner, the partnership property must be applied in the first instance in payment of the debts of the firm, and if there is any surplus, then the share of each partner must be paid to him, or applied in payment of his separate debts. The separate property of any partner must be applied first in the payment of his separate debts, and the surplus (if any) in the payment of the debts of the firm.

266. After a dissolution of partnership, the rights and obligations of the partners continue in all things necessary for winding up the business of the partnership.

267. Persons dealing with a firm will not be affected by a dissolution of which no public notice has been given, unless they had themselves notice of such dissolution.

268. In the absence of any agreement to the contrary, after the termination of a partnership, each partner, or his representative, may apply to the court to wind up the business of the firm, to provide for the payment of its debts, and to distribute the surplus according to the shares of the partners respectively.

269. Extraordinary partnerships, such as partnerships with limited liability, incorporated partnerships, and joint stock companies, shall be regulated by the law now in force in India relating thereto, until further provision shall be made in that behalf.

We humbly submit this our Second Report to your Majesty's Royal consideration.

<i>Romilly.</i>	(L.S.)
<i>Edward Ryan.</i>	(L.S.)
<i>Robert Lowe.</i>	(L.S.)
<i>John M. Macleod.</i>	(L.S.)
<i>W. M. James.</i>	(L.S.)
<i>J. Henderson.</i>	(L.S.)

.. Dated this 28th day of July 1866.

— No. 2. —

(Judicial, No. 42.)

To His Excellency the Right Honourable the Governor General of India
in Council.

Sir,

India Office, London, 14 September 1866.

I HEREWITH transmit 12 copies of the Second Report of Her Majesty's Commissioners appointed to prepare a body of substantive law for India, which I desire may be taken into early consideration by your Excellency in Council, in order that a measure founded on its provisions may be introduced into the Council for making Laws and Regulations.

2. Copies of the Report will be forwarded to the Governments of Madras and Bombay, with directions to forward any observations which a consideration of the Report may suggest to your Excellency in Council.

3. I regard the accomplishment by the Commission of a second and most important portion of the great duty entrusted to it as a subject of congratulation to all India.

4. A supply of copies of the Report will be sent by an early opportunity.

(signed) *Cranborne.*

— No. 3. —

Assistant Under Secretary of State for India to the Indian Law Commissioners.

Sir,

India Office, 28 November 1867.

I AM directed by Sir Stafford Northcote to transmit to you, for the purpose of being placed before Her Majesty's Commissioners appointed to prepare a body of Substantive Law for India, the accompanying copy of a Despatch from the Government of India, dated 16th August (4) 1867, with a copy of a Draft Bill on the subject of contracts.

2. The draft Bill, it will be observed, is identical with the measure prepared by Her Majesty's Commissioners, with the exception that the claims relating to the specific performance contained in Sections 51 to 59 are omitted.

3. The grounds on which this omission is founded are set forth in the statement of objects and reasons, and in the notes recorded by the Governor General and the Members of his Council on the subject. I am directed by Sir Stafford Northcote to state that he would be glad to receive any observations which Her Majesty's Commissioners may desire to make on the subject, but he requests that the papers may be regarded as strictly confidential.

(signed) *J. C. Melvill.*

Wm. Macpherson, Esq.,
&c. &c.

— No. 4. —

(Home Department.—Legislative.—No. 4 of 1867.)

To the Right Honourable Sir Stafford Northcote, Bart., Secretary of State for India.

Sir,

Simla, 16 August 1867.

LORD CRANBORNE'S Despatch in the Judicial Department, No. 42, dated 14th September 1866, transmitted to us the Second Report of Her Majesty's Commissioners appointed to prepare a body of Substantive Law for India, which his Lordship desired us to take into early consideration, in order that a measure founded upon its provisions might be introduced into the Council for making Laws and Regulations.

2. The Second Report of Her Majesty's Commissioners is devoted entirely to the question of contracts, and contains a draft legislative measure on the subject, which our honourable colleague, Mr. Maine, has proposed to adopt, with the omission of the clauses relating to specific performance contained in Sections 51 to 59. A copy of the Draft Bill which our honourable colleague has prepared with this view is herewith forwarded.

1. Note by Mr. Maine, dated 15 July 1867.
2. " the Governor-General, dated 19 July 1867.
3. " Sir Henry Durand, " 22 " "
4. " Sir G. Yule, " 23 " "
5. " Mr. Maine, " 23 " "
6. " Mr. Massey, " 23 " "
7. " Mr. Maine, " 25 " "
8. " the Governor-General " 25 " "
- (With remarks by Mr. Maine) " 26 " "
9. Note by Mr. Maine, " 27 " "
10. " Commander-in-Chief, " 27 " "
- (With remarks by Sir H. Durand) " 29 " "
11. Note by Sir Henry Durand, " 29 " "
12. " Mr. Maine, " 14 Aug. "
13. " the Governor-General " 16 " "

3. You will perceive from the statement of objects and reasons appended to the Bill, and from the notes which we have recorded on the subject, that Mr. Maine's proposal has been carefully discussed by us; and after a further consideration of the matter in Council, we have resolved to omit the clauses relating to specific performance, as not properly belonging to a Bill which enacts a general law of contract. Moreover, we think that the difficult questions raised by a law of specific performance for India will be more conveniently discussed upon a Bill which deals exclusively with the law of procedure.

We have, &c.

(signed) *John Lawrence.*
W. Mansfield.
H. S. Maine.
G. W. Taylor.
W. N. Massey.
H. M. Durand.
G. N. Yule.

(Home Department.—Legislative).

Simla, 2 August 1867.

THE following Bill and statement of objects and reasons accompanying it, are published for general information by order of his Excellency the Governor General, under the 19th of the rules for the conduct of business at meetings of the Council of the Governor General of India for the purposes of making Laws and Regulations:—

THE INDIAN CONTRACT LAW, 1867.

ARRANGEMENT OF SECTIONS.

PART I.—PRELIMINARY.

Sect.

1. Short Title.
2. Interpretation Clause.
3. Repeal of Acts.

PART II.—OF CONTRACT.

4. Contract defined.
5. Who may contract.
6. Retraction or alteration of proposal.
7. Acceptance or proposal.
8. Effect of deceit, coercion and undue influence.
9. Effect of false representation inducing a contract.
10. Mistake of fact.
11. Mistake of law.
12. Certainty of subject.
13. Object and consideration.
Promise when binding.
14. Contract taking effect on happening of specified uncertain event.
15. Contract taking effect only when specified uncertain event does not happen.
16. Avoidance of engagement intended to take effect only in case specified uncertain event shall happen.
17. When an engagement intended to take effect in case a specified event shall not happen, becomes absolute.
18. Order of performance of different engagements.
19. When one reciprocal engagement does not become absolute till performance of other.
20. Parties mutually bound to facilitate performance.
21. Liability of party preventing event on which contract is to take effect.
22. Liability of one party failing to do act which he is bound to do, and which is necessary to enable the other to perform.
23. When time is essential.
24. Effect of doing several things, but not at the times specified.

Conditional Contracts.

25. Failure to fulfil condition.
26. Contract conditioned to be terminated or varied on the happening, or not happening, of a specified uncertain event.
27. When such conditions are invalid.
28. Result of such conditions subsequently becoming unlawful or impossible.
29. Termination or variation of contract made with condition subsequent that it shall be terminated or varied unless a certain person perform a specified act.
30. Discharge of alternative obligation where one of the two things is unlawful or impossible.
31. Liability of person failing to do an act which he has engaged to do.

Rule of Construction.

32. Interpretation of contracts.

Performance of Contracts.

33. Person by whom contract is to be performed.
34. Effect of accepting performance from a third person.
35. Dispensation with, or remittance of, or acceptance of satisfaction in lieu of, performance.
36. Acceptance of new contract in substitution.

Time and Place for Performance.

37. Time for performance of engagement where no time is specified, and no application to be made.
38. Time for performance of engagement where time is specified, and no application to be made.

Sect.

39. Application for performance at a proper time and place.
40. Place for performance of engagement, where no application to be made and no place fixed.
41. Performance in manner or at time prescribed or sanctioned by person entitled to claim it.

Appropriation of Payments.

42. Where there are several distinct debts, and the debt to which payment is to be applied, is indicated.
43. Where there are several distinct debts, and the debt to which payment is to be applied, is not indicated.
44. Where neither party makes any appropriation.

Offer of Performance.

45. Effect of refusal to accept offer of performance.
46. Requisites to valid offer of performance.

Joint Liabilities and Rights.

47. Devolution of joint liabilities.
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THE INDIAN CONTRACT LAW, 1867.

PART I.—PRELIMINARY.

- Short Title. 1. THIS Act may be called the "Indian Contract Law, 1867."
- Interpretation Clause. 2. In this Act—unless there be something repugnant in the subject or context:—
- Number. Words importing the singular number include the plural, words importing the plural include the singular, and words importing the male sex include females;
- Gender. "Person" includes any Company or Association, or body of persons, whether incorporated or not;
- "Person."
- "Child." "Child," in the case of anyone whose personal law permits adoption, includes an adopted child;
- "Immoveable property." "Immoveable property" includes land, any benefit to arise out of land, and things attached to the earth, or permanently fastened to anything attached to the earth;
- "Moveable property." "Moveable property" means property of every description, except immoveable property;
- "British India." "British India" means the territories which are, or may become, vested in Her Majesty or her successors by the Statute 21 & 22 Vict. c. 106 (*an Act for the better government of India*).
- Repeal of Acts. 3. The enactments specified in the first Schedule hereto are repealed, but nothing herein contained shall be deemed to affect the enactments specified in the second Schedule hereto, nor any enactment of the Governor General of India in Council, the Lieutenant-Governor of Bengal in Council, the Governor of Fort St. George in Council, or the Governor of Bombay in Council, relating to the emigration, or transport, or contracts of native labourers, or saving the members of municipal committees from personal liability.

PART II.—OF CONTRACT IN GENERAL.

- Contract defined. 4. A contract is an agreement between parties whereby a party engages to do a thing or engages not to do a thing.
- A contract may contain several engagements, and they may be either by the same party or by different parties.
- A contract may be expressed or implied, or partly expressed and partly implied.
- A contract, or part of a contract, may be expressed either orally or by writing.
- A contract, or part of a contract, is said to be implied when it is to be inferred from the circumstances of the case, and things spoken or written, or the ordinary course of dealing, may be accounted circumstances of the case.

Illustrations.

- (a.) A. orally agrees with B. to buy of him, at a certain price, 500 maunds of rice. This is a contract expressed orally.
- (b.) A. orders of B., by writing, 500 maunds of rice at a certain price. B., by writing, accepts the order. This is a contract expressed by writing.
- (c.) A. orally agrees with B. to buy of him 500 maunds of rice at a price to be fixed afterwards. The price is afterwards fixed by correspondence between A. and B. This is a contract expressed in part orally and in part by writing.
- (d.) A. orally orders B., a tailor, to make him a coat. B. accepts the order. The contract thus made contains an implied engagement by B. that the coat to be made for A. shall be of suitable materials, and shall fit A.; and an implied engagement by A. that he will accept the coat, and will pay for it, if within a reasonable time it shall be so made.
- (e.) A., by writing, orders of B. 500 maunds of the best rice lying in his godowns. B. accepts the order. There is an implied engagement on A.'s part to pay a reasonable price for the rice.

- Who may contract. 5. Every person who is of the age of majority according to the law to which he is subject, and who is of sound mind, may enter into a contract.
- Explanation 1.*—Persons who are deaf, or dumb, or blind, are not thereby incapacitated for entering into a contract if they are able to know what they do by it.
- Explanation 2.*—One who is ordinarily insane may make a contract during an interval in which he is of sound mind.
- Explanation 3.*—No person can enter into a contract while he is in such a state of mind, whether arising from drunkenness, or from illness, or from any other cause, that he does not know what he is doing.

- Retraction or alteration of proposal. 6. A proposal to enter into a contract may be retracted, or the terms of it altered by the party making it, at any time before it is accepted.
- Explanation.*—A proposal is said to be accepted when an expressed acceptance of it has been communicated to the proposer; or when a letter of acceptance is posted, or a telegraphic message of acceptance is delivered at a proper office, and the acceptance by letter or telegram is not cancelled by some communication which reaches the proposer before or at the same time with the letter or telegram of acceptance, or when acceptance is to be inferred from the circumstances of the case.

Illustration.

Illustration.

A. sends goods to B. for sale or return. B. sells the goods to C. B. has accepted the goods.

7. A proposal does not bind the party making it, unless it be accepted within the time prescribed for its acceptance, or, if no time is prescribed, within a reasonable time.

Acceptance of proposal.

8. Any engagement which a contracting party has been induced to form by deceit or coercion, or by such influence as impedes or interferes with the freedom of his agency, renders the contract voidable at the option of that party.

Effect of deceit, coercion, and undue influence.

Explanation 1.—Deceit may be practised on a person, not only by intentionally inducing him to believe what is not true, but by intentionally concealing truth from him.

Explanation 2.—In order to enable a party to annul a contract by reason of deceit, it must appear, where a false representation has been made, that he relied on the representation; and where the truth has been concealed, that he had not the means with ordinary diligence of discovering the truth.

Illustrations.

(a.) A., intending to deceive B., falsely represents that 500 maunds of indigo are made annually at A.'s factory, and thereby induces B. to buy the factory. The contract is voidable.

(b.) A., in order to deceive B., falsely informs him that 500 maunds of indigo are made annually at A.'s factory. B., not relying on this statement, examines the accounts of the factory, which show that only 400 maunds of indigo have been made. After this B. buys the factory. The contract is not voidable on account of A.'s mis-statement.

(c.) B. having discovered a seam of coal on A.'s estate, does not communicate that circumstance to A., and buys the estate at a price fixed by A. in ignorance of the existence of the coal. The sale is not voidable on account of B.'s conduct.

(d.) B. having discovered a vein of ore on the estate of A., adopts means to conceal, and does conceal from A., the existence of the ore, so that A. cannot, with ordinary diligence, discern its existence. Through A.'s ignorance, B. is enabled to buy the estate at an undervalue. The sale is voidable.

(e.) A. is entitled to succeed to an estate at the death of B. B. dies. C., having received intelligence of B.'s death, conceals the fact from A., and induces A. to sell him his interest in the estate. The sale is voidable.

(f.) B., by deceit, induces A. to enter into an engagement with B. for the benefit of C., who is not privy to the deceit. The engagement is voidable.

(g.) A., a young female who has resided during her minority in the family of B., her guardian, continues to reside with him after attaining majority, and is induced, by means of his influence, to enter into a contract with him which is disadvantageous to herself. The contract is voidable.

9. A person who, either knowingly or ignorantly, makes a false representation whereby he induces another to enter into a contract with him, is bound to place the other in the same position, as if the representation had been true, and in default of his doing so, the contract is voidable at the option of the person who has been misled.

Effect of false representation inducing a contract.

Explanation.—Where a party's consent to an engagement by contract has been given through a mistake as to the substance of the thing which is the subject of the engagement, and the mistake was occasioned, however innocently, by the other party, this has the same effect as a false representation.

Illustrations.

(a.) A. informs B. that A.'s estate is exempt from the payment of revenue to the Government; B., thereupon buys the estate. It turns out that the estate is not exempt from the payment of revenue, and that such exemption cannot be obtained. The sale is voidable.

(b.) A. informs B. that A.'s estate is within a mile of the town of Rāmānagar; B. thereupon buys the estate. The estate is found to be two miles from the town. The sale is voidable.

(c.) A. informs B. that A.'s estate is free from encumbrance. B. thereupon buys the estate. It turns out that the estate is subject to a mortgage. A. must redeem the mortgage; or, if he cannot do so, the contract is voidable.

(d.) A. and B. are partners in a mercantile business. A. is the managing partner, B. is ignorant of the state of the business. A. and B., in order to induce C. to become a partner with him, show him a statement of the affairs of the partnership, which is wrong by a large amount. C., relying upon the statement, joins the firm, and for several years does not discover the falsity of the statement. The contract of partnership is voidable at the option of C.

10. Where both the parties to an engagement by contract are under a mistake as to a matter of fact essential to the engagement, the engagement is void.

Mistake of fact.

Explanation.—An erroneous opinion as to the value of the thing which forms the subject-matter of the contract, is not to be considered a mistake as to a matter of fact.

Illustrations.

(a.) A. agrees to sell to B. a cargo of goods, supposed to be on its way from England to Bombay. It turns out that before the day of the bargain the ship conveying the cargo had been cast away and the goods lost. Neither party was aware of these facts. The contract is void.

(b.) A. buys of B. a certain horse. It turns out that the horse was dead at the time of the bargain, though neither party was aware of the fact. The sale is void.

(c.) A., being entitled to an estate for the life of B., agrees to sell it to C. B. was dead at the time of the contract, but both parties were ignorant of the fact. The contract is void.

Mistake of law.

11. The validity of a contract is not affected by the circumstance that a party was at the time of making it under a mistake of law.

Explanation.—A mistake in respect of a law not in force in British India, has the legal consequences of mistake not of law but of fact.

Illustrations.

A. owes to B. a debt, the payment of which at a fixed time is guaranteed by C. B. contracts with A. to give time to A., C. not assenting to the arrangement. B. is not aware, at the time of entering into this contract, that its legal effect will be to discharge C. from liability under his guarantee. B. is nevertheless bound by his contract to give time to A.

Certainty of subject.

12. The subject of every contract must be certain, or capable of being made certain.

Illustrations.

(a.) A. agrees to sell to B. "100 tons of oil," the kind of oil not being specified or in any way indicated. The contract is void for uncertainty.

(b.) A. agrees to sell to B. 100 tons of oil of a specified description, known as an article of commerce. There is no uncertainty here to prevent the contract from being valid.

(c.) A., who is a dealer in cocoanut oil only, agrees to sell to B. "100 tons of oil." The nature of A.'s trade affords an indication of the meaning of the words, and A. has entered into a contract for the sale of 100 tons of cocoanut oil.

(d.) A. agrees to sell to B. "all the grain in his granary at Rámnagar." There is no uncertainty here to prevent the contract from being valid.

(e.) A. agrees to sell to B. 1,000 maunds of rice, at a price to be fixed by C. The subject of the contract is capable of being made certain, and there is no uncertainty here to prevent the contract from being valid.

Object and consideration.
Promise when binding.

13. In order to the validity of an engagement by contract there must be a lawful object and a good consideration.

First Exception.—A person who makes a promise, whether upon good consideration or not, is bound to perform it if the promise be expressed in writing, and duly registered, according to the provisions of the law, for the time being in force, for the registration of assurances, unless the promise is unlawful, or is based on an unlawful consideration.

Second Exception.—A person who makes an express promise, without good consideration, is bound to perform it, if it be a promise to compensate wholly or in part, a person who has already voluntarily done something which the person who makes the promise was legally compellable to do; or if it be a promise to pay wholly or in part a debt which the creditor is legally entitled to receive from the person who makes the promise, but of which, by reason of the law for the limitation of suits, he cannot enforce payment.

Explanation 1.—A good consideration must be something which, at the desire of the person entering into the engagement, another person has done or abstained from doing, or does or abstains from doing, or promises to do, or to abstain from doing.

Explanation 2.—A good consideration must be lawful.

Explanation 3.—An object, a consideration, or a promise, is said to be lawful when it is not contrary to law or to morality.

Illustrations.

(a.) A. engages by contract with B. to sell his house to B. for 10,000 rupees. Here there is an engagement by A. to B., and an engagement by B. to A., and these engagements are valid, there being in each case a lawful object and a good consideration.

(b.) A. agrees to sell his house at Rámnagar to B. for 10,000 rupees. Here the promise to pay the sum of 10,000 rupees is the consideration for A.'s entering into the contract; and the promise to convey the house is the consideration for B.'s entering into the contract. These are good considerations.

(c.) A. engages to pay B. 1,000 rupees at the end of six months, if C., who owes that sum to B., fails to pay it. B. engages to grant time to C. accordingly. Here the engagement of each party is the consideration for the engagement of the other party; and they are good considerations.

(d.) A. engages, for a certain sum paid to him by B., to make good to B. the value of his ship if it shall perish by shipwreck on a certain voyage. Here A.'s promise is the consideration for B.'s payment, and B.'s payment is the consideration for A.'s promise; and these are good considerations.

(e.) A. engages to maintain B.'s child, and B. engages to pay A. 1,000 rupees yearly for the purpose. Here the engagement of each party is the consideration for the engagement of the other party. They are good considerations.

(f.) A., B., and C. enter into a contract for the division among them of gains acquired, or to be acquired, by them by fraud. The contract is void.

(g.) A. undertakes to obtain for B. an employment in the public service, and B. agrees to pay 1,000 rupees to A. The contract is void, as the consideration for it is illegal.

(h.) A., being agent for a landed proprietor, agrees, for money, without the knowledge of his principal, to obtain for B. a lease of land belonging to his principal. The contract between A. and B. is void, being contrary to A.'s duty as agent.

(i.) A. engages with B. to drop a prosecution which he has instituted against B. for robbery, and B. engages to restore the value of the things taken. The contract is void.

(j.) A.'s estate is sold for arrears of revenue under the provisions of an Act of the Legislature, by which the defaulter is prohibited from purchasing the estate. B. upon an understanding with A., becomes the purchaser, and agrees to convey the estate to A., upon receiving from him the price which B. has paid. B.'s engagement is void, as it renders the transaction in effect a purchase by the defaulter.

(k.) A. engages to superintend on behalf of B. a legal manufacture of indigo and an illegal traffic in other articles. B. enters into an engagement to pay to A. a salary of 10,000 rupees a year. B.'s engagement is void—the consideration being in part unlawful.

(l.) A. voluntarily pays B. a sum of money which is due to B. from C. Afterwards C. promises to reimburse A. C. is bound to perform the promise.

Contract taking effect on happening of specified uncertain event.

14. An engagement by contract may be made to take effect only in case a specified uncertain event shall happen. The event may be the performance of something that constitutes the consideration, or part of the consideration for the engagement, or it may be an event distinct from such performance.

Illustrations.

Illustrations.

(a.) A. sells goods to B. for a fixed price, and engages to deliver them to him on receiving payment in full. A.'s engagement to deliver the goods does not become absolute until B. pays, or tenders to him the price.

(b.) A. sells goods to B. for a fixed price, to be paid by instalments, and engages to deliver them to him on receiving payment of the first instalment. A.'s engagement to deliver the goods does not become absolute until B. pays or tenders to him the first instalment.

(c.) A. enters into an engagement by contract with B. to buy B.'s house for 10,000 rupees, if A. shall survive C. A.'s engagement does not become absolute until C. dies, leaving A. surviving him.

(d.) A. enters into an engagement by contract with B. to sell a horse to B. at a specified price, in case C., to whom the horse has been offered, shall refuse to buy it. A.'s engagement does not become absolute until C. refuses to buy the horse.

15. An engagement by contract, which is intended to take effect only in case a specified uncertain event shall not happen, does not become absolute until the happening of that event becomes impossible.

Contract taking effect only when specified uncertain event does not happen.

16. Where an engagement by contract is intended to take effect only in case a specified uncertain event shall happen within a fixed time, and the time expires without the event having occurred, the engagement becomes void. Where no time has been fixed for the happening of the event, the engagement becomes void as soon as it is ascertained that the event will not happen.

Avoidance of engagement intended to take effect only in case specified uncertain event shall happen.

Illustrations.

(a.) A. enters into an engagement by contract to pay B. a sum of money if a certain ship shall return within a year from the time of the contract. The year elapses without the ship having returned. The engagement becomes void.

(b.) A. enters into an engagement by contract to pay B. a certain sum of money, if C. shall leave a son surviving him. C. dies, not leaving a son surviving him. The engagement becomes void.

17. Where an engagement by contract is intended to take effect in case a specified event shall not happen within a fixed time, the engagement does not become absolute until the time has expired without the event having occurred, or until, before the time fixed, it is ascertained that the event will not occur. Where no time has been fixed the engagement becomes absolute as soon as it is ascertained that the event will not happen.

When an engagement intended to take effect in case a specified event shall not happen, becomes absolute.

Illustrations.

(a.) A. enters into an engagement by contract to pay B. a sum of money if a certain ship shall not return within a year. At the end of six months it is ascertained that the ship has been lost. The engagement has become absolute.

(b.) A. enters into an engagement by contract to pay B. a sum of money if a certain ship shall not return. It is ascertained that the ship has been lost. The engagement has become absolute.

18. Where the order in which different engagements are to be performed is not expressly fixed by the contract, it shall be that order which the nature of the transaction requires.

Order of performance of different engagements.

Illustrations.

(a.) A. enters into an engagement by contract to build a house for B. at a fixed price. B. engages to pay the price. B.'s engagement does not become absolute until A. finishes the house.

(b.) A., a tradesman, enters into an engagement by contract to make over his stock in trade to B. at a fixed price, and B. engages to give security for the payment of the money. A.'s engagement does not become absolute until the security is given; for the essence of the engagement is, that A. should have security before he delivers up his stock.

19. Where one of two engagements by contract has been entered into in consideration of the other, and a time is appointed for the performance of one of them, which time is to arrive before the reciprocal engagement can be performed, the latter does not become absolute until the former has been performed.

When one reciprocal engagement does not become absolute till performance of other.

Illustrations.

(a.) A. contracts with B. to sell to him at a specified price certain merchandise on board a ship which cannot arrive for a month, and B. engages to pay for the merchandise within a week from the date of the contract. A.'s engagement does not become absolute until B.'s engagement has been fulfilled.

(b.) A. contracts with B. to sell him 100 bales of merchandise to be delivered next day, and B. engages to pay for them within a month. B.'s engagement does not become absolute until the merchandise has been delivered to him.

20. The parties to a contract are bound to afford to each other all reasonable facilities for performing their engagements.

Parties mutually bound to facilitate performance.

21. Where an engagement by contract is intended to take effect on the happening of an event, and the party who has entered into the engagement prevents the happening of the event, he becomes liable to perform the engagement, or to make compensation to the other party for any loss which he may have sustained in consequence of its non-performance.

Liability of party preventing event on which contract is to take effect.

Illustration.

A. engages to pay 1,000 rupees to B., provided that B. shall execute certain work for him; and B. engages to execute the work. B. is ready and willing to execute the work accordingly, but A. prevents him from doing so. A.'s engagement has become absolute.

22. When a person having entered into an engagement by contract with another fails to do an act which he is bound by law to do, and which is necessary to enable the other to perform his part of the contract, the party who has failed to do such act is liable to make compensation to the other party for any loss or damage which he may have sustained in consequence of the non-performance of it.

Liability of one party failing to do act which he is bound to do, and which is necessary to enable the other to perform.

Illustrations.

(a.) A. hires B.'s ship to take in and convey from Calcutta to the Mauritius a cargo to be provided by A., B. receiving a certain freight for its conveyance. A. does not provide any cargo for the ship. A. must make compensation to B. for his failure.

(b.) A. enters into an engagement by contract with B. to execute certain builders' work, for a fixed price, B. supplying the scaffolding and timber necessary for the work. B. refuses to furnish any scaffolding or timber, and the work cannot be executed. B. is bound to make compensation to A. for any loss caused to him by the non-execution.

When time is essential.

23. When there are mutual engagements by contract, and one of them is an entire and indivisible engagement by contract for the doing of a particular thing by a fixed time, time is of the essence of the contract, and unless the thing be done at the stipulated time the reciprocal engagement, if any, does not become absolute.

Effect of doing several things, but not at the times specified.

24. Where there are mutual engagements by contract, and one of them is an engagement for the doing of several things at different times, and the things stipulated are done, but not at the times specified, this irregularity does not prevent the reciprocal engagement from becoming absolute, but the person who entered into the latter engagement is entitled to compensation for any loss which he may have sustained in consequence of the irregularity.

Conditional Contract.

Failure to fulfil conditions.

25. When an engagement by contract is conditional, and the condition fails to be fulfilled, the engagement becomes void.

Illustration

A. engages to pay 10,000 rupees to B. if he will marry A.'s daughter. A's daughter was dead at the date of the engagement. The condition cannot be fulfilled, and the engagement is void.

Contract conditioned to be terminated or varied on the happening, or not happening, of a specified uncertain event.

26. An engagement by contract may be made with the condition superadded, that it shall be terminated or varied in case a specified uncertain event shall happen, or that it shall be terminated or varied in case a specified uncertain event shall not happen.

When such conditions are invalid.

27. A condition of the kind described in the last preceding section is invalid and does not affect the engagement to which it is superadded, if at the time of the contract the event is impossible, or if it is repugnant to law or morality, or inconsistent with the main purpose of the contract.

Result of such conditions subsequently becoming unlawful or impossible.

28. An engagement to which is superadded a condition of the kind described in Section 26 becomes void if the fulfilment of the condition is, subsequently to the contract, rendered unlawful, or is made impossible by some unforeseen event which the person who entered into the engagement could not prevent.

Illustrations.

(a.) A. engages to pay B. 5,000 rupees, provided that the engagement shall be void if A. takes in cargo for B. at a certain port. The Government afterwards declares war against the country in which the port is situated, so that A. cannot trade there. The engagement becomes void.

(b.) A., a singer, who has undertaken to sing at B.'s theatre, engages to pay B. 20,000 rupees, provided that his engagement shall be void if A. sings at B.'s theatre on a certain number of nights in the month of June. A. before June loses his voice through illness. The engagement to pay 20,000 rupees becomes void.

Termination or variation of contract made with condition subsequent that it shall be terminated or varied unless a certain person perform a specified act.

29. Where an engagement by contract is made with a condition superadded, that it shall be terminated or varied unless a certain person shall perform a specified act, but no time is specified for the performance of the act; if such person takes any step which renders impossible or indefinitely postpones the performance of the act required, the engagement shall be terminated or varied as if such person had died without performing the act.

Discharge of alternative obligation where one of the two things is unlawful or impossible.

30. If a condition of the kind described in Section 26 consists in doing one or the other of two things, and one of them is unlawful or impossible, the condition can only be fulfilled by doing the other.

Illustration.

A. engages by contract to pay B. a fixed sum, provided that if A. delivers to B. on a certain future day either 20 maunds of the finest rice, or a certain quantity of opium to be obtained contrary to law, the engagement shall be void. The condition cannot be fulfilled otherwise than by the delivery of 20 maunds of the finest rice.

Liability of person failing to do an act which he has engaged to do.

31. A person who fails to do an act which he has engaged by contract to do, shall make compensation to the person in whose favour the act was to be done.

Exception.—A man incurs no liability through the non-performance of an act which he has engaged by contract to do, where, since the date of the contract, the performance of the act has been rendered unlawful, or has been made impossible by some event, of which he did not, expressly, or by implication, take upon himself the risk.

Illustrations.

(a.) A. engages to deliver to B. at a certain price, at a specified time and place, a cargo of merchandise then at sea in his ship. The ship is afterwards lost at sea, with all its cargo. A. is liable to make compensation to B. for the non-performance of his engagement.

(b.) A. freighted B.'s ship to proceed to the Island of Ichaboe, and there to take in a cargo of guano, to be supplied by A., and to convey it to a certain port. The guano at Ichaboe was entirely exhausted before the ship arrived, and it was impossible for A. to supply a cargo. A. must make compensation to B. for the non-performance of his engagement.

(c) A.,

(c.) A., the owner of a music hall, agrees to let B. have the use of it for four days in June for the purpose of giving concerts in it; B. to pay 1,000 rupees a day. On the 30th of May the hall is accidentally destroyed by fire without the fault of either party. Neither party is bound to make compensation for the non-performance of the act which he engaged by the contract to do.

(d.) A., a painter, enters into an engagement to paint a picture for B. A. becomes blind. A. is not liable to make compensation to B. for not painting the picture.

(e.) A. engages to take in cargo at a certain port. The Government afterwards declares war against the country in which the port is situated, so that A. cannot trade there. He is not bound to make compensation for failure to take in cargo at the specified port.

Rule of Construction.

32. For the purpose of determining questions as to the meaning of a contract, a Court must inquire into every material fact relating to the situation of the parties to, or the subject-matter of such contract, and into every fact a knowledge of which may conduce to the right application of the words which the contracting parties have used.

Interpretation of contracts.

Performance of Contract.

33. An engagement by contract must be performed by the person who has entered into it, unless its nature be such that it can be properly performed by another, in which case he may employ a competent person to perform it; or if he dies before performance, his representatives may perform it, or employ a competent person to do so.

Person by whom contract is to be performed.

Illustrations.

(a.) A. engages to pay B. a sum of money. He may perform this engagement, either by personally paying the money to B., or by causing it to be paid to B. by another; and if A. dies the time appointed for payment, his representatives may perform the engagement.

(b.) A. engages to paint a picture for B. This engagement cannot be performed except by A.'s painting the picture himself.

34. Where a person who is entitled to claim from another the performance of an engagement accepts such performance from a third person, he cannot afterwards enforce it against the person who entered into the engagement.

Effect of accepting performance from a third person.

35. A person who is entitled to claim performance of an engagement may dispense with or remit such performance wholly or in part, or may extend the time for it, or may accept instead of it any satisfaction which he thinks fit.

Dispensation with, or remittance of, or acceptance of satisfaction in lieu of, performance.

Illustrations.

(a.) A. engages to paint a picture for B. B. afterwards expressly forbids him to do so. A. is no longer bound to perform the engagement.

(b.) A. owes B. 5,000 rupees. By agreement A. pays to B. and B. accepts, in satisfaction of the whole debt, 2,000 rupees paid at the time and place at which the 5,000 rupees were payable. The whole debt is discharged.

(c.) A. owes B. 5,000 rupees. C. pays to B. 1,000 rupees, and B. accepts them, in satisfaction of his claim on A. This payment is a discharge of the whole claim.

(d.) A. owes B., under a contract, a sum of money, the amount of which has not been ascertained. A. without ascertaining the amount, gives to B., and B., in satisfaction thereof, accepts the sum of 2,000 rupees. This is a discharge of the whole debt, whatever may be its amount.

(e.) A. owes B. 2,000 rupees, and is also indebted to other creditors. A. makes an arrangement with his creditors, including B., to pay them a composition of 8 annas in the rupee upon their respective demands. Payment to B. of 1,000 rupees is a discharge of B.'s demand.

36. If a person who is entitled to claim the performance of an engagement by contract accepts a new and distinct contract by way of substitution for the existing one, the original engagement is no longer in force.

Acceptance of new contract in substitution.

Illustrations.

(a.) A. owes money to B. under a contract. It is agreed between A., B., and C. that B. shall thenceforth accept C. as his debtor instead of A. The old debt of A. to B. is at an end, and a new debt from C. to B. has been contracted.

(b.) A. owes B. 10,000 rupees. A. enters into an arrangement with B. and gives him a mortgage of A.'s estate for 5,000 rupees in place of the debt of 10,000 rupees. This is a new contract.

(c.) A. and B. have mercantile transactions with each other, and A. thereby becomes indebted to B. in the sum of 10,000 rupees, for which B. holds no security. Afterwards A. executes a bond in favour of B. to secure the payment of the sum due to him. The execution of this bond does not constitute a new and distinct contract.

(d.) A. owes B. 1,000 rupees under a contract; B. owes C. 1,000 rupees. B. orders A. to pay 1,000 rupees to C. C. does not assent to the arrangement. B. still owes C. 1,000 rupees, and no new contract has been entered into.

Time and Place for Performance.

37. Where by the contract a person is to perform his engagement without application by the person with whom he made the engagement, and no time for performance is specified, the engagement must be performed within a reasonable time.

Time for performance of engagement where no time is specified, and no application to be made.

Explanation.—The question what is a reasonable time is in each particular case a question of fact.

38. When an engagement is to be performed on a certain day, and the person entering into the engagement has undertaken to perform it without application, he has the whole of that day to perform the engagement in; subject to this qualification, that the person who is to receive performance is not bound to receive it before or after the usual hours of business, or at any other place than that at which the engagement ought to be performed.

Time for performance of engagement where no time is specified, and no application to be made.

Illustration.

Illustration.

A. engages to deliver goods at B.'s warehouse on the 1st January. On that day A. brings the goods to B.'s warehouse, but after the usual hour for closing it, and they are not received. A. has not performed his engagement.

Application for performance at a proper time and place.

39 When the engagement is to be performed on a certain day, and the person entering into the engagement has not undertaken to perform it without application, it is the duty of the person in whose favour the engagement is made to apply for performance at a proper time and place.

Explanation.—The question what is a proper time and place is in each particular case a question of fact.

Place for performance of engagement, where no application to be made and no place fixed.

40. Where an engagement is to be performed without application, and no place is fixed for the performance of it, the person bound by the engagement must perform it at any reasonable place which the person with whom the engagement was made may appoint.

Illustration.

A. undertakes to pay B. 1,000 rupees on a fixed day. A. must apply to B. to appoint a reasonable place for the purpose of receiving it, and must pay it to him at such place.

Performance in manner or at time prescribed or sanctioned by person entitled to claim it.

41. The performance is valid if made in any manner or at any time which the person entitled to claim performance may have prescribed, or may have subsequently sanctioned.

Illustrations.

(a.) B. owes A. 2,000 rupees. A. desires B. to pay the amount to B.'s account with C., a banker. B., who also banks with C., orders the amount to be transferred from his account to A.'s credit, and this is done by C. Afterwards, and before A. knows of this, C. fails. This is a good payment by B.

(b.) A. and B. are mutually indebted. A. and B. settle an account by setting off one item against another, and B. pays A. the balance found to be due from him upon such settlement. This amounts to a payment by A. and B. respectively of the sums which they owed to each other.

(c.) A. owes B. 2,000 rupees. A. and B. agree that B. shall receive some of A.'s goods in reduction of the debt. The delivery of the goods operates as a part payment.

(d.) A. owes B. 2,000 rupees. A. gives to B., and B. accepts a cheque for that amount drawn by A. This operates as payment, provided the cheque be duly paid.

(e.) A. desires B., who owes him a sum of money, to remit the amount of his debt by post. The debt is discharged as soon as B. puts into the post a letter containing the money, duly addressed to A.

Appropriation of Payments.

Where there are several distinct debts, and the debt to which payment is to be applied, is indicated.

42. Where a man owing several distinct debts to one person, makes a payment to him either with express intimation, or under circumstances implying that the payment is to be applied to some particular debt, the payment, if accepted, must be applied accordingly.

Illustrations.

(a.) A. owes B. (among other debts) 1,000 rupees upon a promissory note, which falls due on the 1st June. He owes B. no other debt of that amount. On the 1st June A. pays to B. 1,000 rupees. The payment is to be applied to the discharge of the promissory note.

(b.) A. owes to B. (among other debts) the sum of 567 rupees. B. writes to A. and demands payment of this sum. A. sends to B. 567 rupees. This payment is to be applied to the discharge of the debt of which B. had demanded payment.

Where there are several distinct debts, and the debt to which payment is to be applied is not indicated.

43. Where the debtor has omitted to intimate, and there are no other circumstances indicating, to which debt the payment is to be applied, the creditor is at liberty to apply it at his discretion to any lawful debt actually due and payable to him from the payer, on giving notice thereof to the payer within a reasonable time.

Where neither party makes any appropriation.

44. Where neither party makes any appropriation, the payment shall be applied in discharge of the debts in order of time. If they are of equal standing, the payment shall be applied in discharge of each proportionately.

Offer of Performance.

Effect of refusal to accept offer of performance.

45. Where a person who has come under an engagement to another has made him an offer of performance, and the offer has not been accepted, the person who has made such offer is not responsible for non-performance so caused, nor does he thereby lose his title to claim performance of any reciprocal engagement.

Requisites to valid offer of performance.

46. In order to constitute a valid offer of performance, the following rules must be observed:—

1.—The offer must be made at a proper time and place, and under such circumstances that the person to whom it is made may have a reasonable opportunity of ascertaining whether the thing tendered really is what it purports to be.

2.—The offer must be a tender of the whole thing which the other party to the engagement is entitled to demand.

3.—It must be unconditional.

4.—An offer to one of several joint creditors has the same legal consequences as an offer to all of them.

Explanation.

Explanation.—Where the performance of an engagement would involve the production of a certain thing, it is not necessary to the validity of a tender that the thing should actually be produced, if the person entitled to claim performance does not require that it should be produced.

Joint Liabilities and Rights.

47. When two persons have jointly come under an engagement by contract to a third person, then, unless a contrary intention appears by the contract, the liability to perform the engagement rests, as between them and him, on those two persons during their joint lives, and after the death of either, on his representative jointly with the survivor, and after the death of the survivor, on the representatives of both jointly.

Devolution of joint liabilities.

48. As between themselves, persons who have jointly come under an engagement are bound, unless a contrary intention appears by the contract, to bear the burden of its performance equally; and if one of them is unable to bear his share of the burden, the others must make up the deficiency by equal contributions.

Liability of persons jointly bound.

Explanation.—This rule is not to prevent a surety from recovering his disbursements from the principal, or to entitle the principal to recover anything from the surety.

Illustrations.

(a.) A., B., and C. are under a joint engagement to pay D. the sum of 3,000 rupees. A. is insolvent, but his assets are sufficient to pay one-half of his debts. A's estate pays 500 rupees. B. and C. must pay 1,250 rupees each.

(b.) A., B., and C. are under a joint engagement to pay D. 3,000 rupees, A. and B. being in fact only sureties for C. C. is unable to pay anything, and A. pays the whole. A. is entitled to receive 1,500 rupees from B.

(c.) A., B., and C. are under a joint engagement to pay D. 3,000 rupees, A. and B. being in fact only sureties for C. C. is unable to pay; A. and B. are compelled to pay the whole sum. They are entitled to recover it from C.

49. Where two persons have jointly come under an engagement by contract to a third person, a release of one of them by such third person does not discharge the other; neither does it free that one from responsibility to the other.

Release of one joint contractor.

50. When a person has come under an engagement by contract to two other persons jointly, then, unless a contrary intention appears by the contract, the right to claim performance rests (as between him and them) with them during their joint lives, and after the death of either, with his representative jointly with the survivor, and after the death of the survivor, with the representatives of both jointly.

Devolution of joint rights.

Illustrations.

A., in consideration of 5,000 rupees lent to him by B. and C., enters into an engagement by contract with B. and C. to repay them that sum with interest on a day specified. B. dies. The right to claim performance rests with B.'s representative jointly with C. during C.'s life, and after the death of C. with the representatives of B. and C. jointly.

Power to terminate Contract.

51. When a party to a contract has refused to perform, or disabled himself from performing, his engagement in its entirety, the party who has entered into the reciprocal engagement may put an end to the contract, provided he has not signified, expressly or impliedly, that he acquiesced in its continuance.

Power to terminate contract on refusal of party to perform it wholly.

Illustrations.

(a.) A., a singer, enters into an engagement with B., the manager of a theatre, to sing at his theatre two nights in every week during the next two months, and B. engages to pay her 100 rupees for each night's performance. On the sixth night the singer wilfully absents herself from the theatre. B. is at liberty to put an end to the contract.

(b.) A., a singer, enters into an engagement with B., the manager of a theatre, to sing at his theatre two nights in every week during the next two months; and B. engages to pay her at the rate of 100 rupees for each night. On the sixth night the singer wilfully absents herself. With the assent of B. she sings on the seventh night. B. has signified his acquiescence in the continuance of the contract, and cannot now put an end to it, but is entitled to compensation for the damage sustained by him through her failure.

Compensation.

52. A person who rightfully puts an end to an engagement is entitled to compensation for any damage he has sustained.

Party rightfully terminating contract, entitled to compensation.

53. When a contract has been broken, if a sum is named in the contract itself as the amount to be paid in case of such breach, the amount so named shall be paid accordingly; but if no sum has been named in the contract itself, the party who suffers by such breach is entitled to receive from the party who has broken the contract, compensation for loss or damage caused to him thereby. Provided that it has naturally arisen in the usual course of things from such breach, or that it was in the knowledge of the parties at the time they made the contract, that such loss or damage would probably result from the breach of it.

Payment of sum specified to be paid in case of breach.

Such compensation is not to be given for any remote and indirect loss or damage sustained by reason of the breach.

Payment of compensation.

Explanation.—In estimating the loss, the means which existed of remedying the inconvenience caused by the non-performance of the engagement, must be taken into account.

Illustrations.

(a.) A. enters into an engagement by contract, that in case he fails to pay B. 500 rupees on a certain day, he shall immediately become liable to pay him 1,000 rupees. A. fails to pay B. 500 rupees on the day named. A. has become liable to pay B. 1,000 rupees.

(b.) A. enters into an engagement by contract, that if he practises as a surgeon in the town of Z., he shall pay B. 5,000 rupees. A. commits a breach of the engagement. The sum of 5,000 rupees is actually payable by A. to B.

(c.) A. agrees to sell and deliver 50 maunds of saltpetre to B. at a certain price, to be paid on delivery. A. breaks his engagement. B. is entitled to receive from A., by way of compensation, the sum, if any, by which the contract price falls short of the price for which B. might have obtained 50 maunds of saltpetre of like quality at the time when the saltpetre ought to have been delivered.

(d.) A. hires B.'s ship to go to Bombay, and there take on board on the 1st of January a cargo (which A. is to provide) and to bring it to Calcutta; the freight to be paid when earned. B.'s ship does not go to Bombay, but A. has opportunities of procuring suitable conveyance for the cargo upon terms as advantageous as those on which he had chartered the ship. A. avails himself of those opportunities, but is put to trouble and expense in doing so. A. is entitled to receive compensation from B. in respect of such trouble and expense.

(e.) A. agrees to sell and deliver to B. on the 1st of January, at a stated price, a certain quantity of cotton, to be paid for on delivery. Afterwards, on the 1st December, A. announces to B. that he does not intend to perform his engagement, and on the 1st of January he delivers no cotton to B. B. is entitled to receive from A., by way of compensation, the excess, if any, of price of the like quantity of cotton on the 1st of January over the contract price.

(f.) A. agrees to sell and deliver to B. on the 1st of January a certain quantity of sugar, for which B. pays him in advance. Afterwards, on the 1st of December, A. informs B. that he does not intend to deliver the sugar, and on the 1st of January he does not deliver it. B. is entitled to receive from A. the money paid, together with current mercantile interest, and also, by way of compensation, the excess, if any, of the sum for which the sugar could have been procured by him on the 1st of January, over the sum paid in advance.

(g.) A. agrees to buy of B., at a stated price, 50 maunds of rice, no time being fixed for delivery. A. afterwards intimates to B. that he will not accept the rice if tendered to him. B. is entitled to receive from A., by way of compensation, the amount, if any, by which the contract price exceeds that which B. could have obtained for the rice at the time of the refusal.

(h.) A. agrees to buy B.'s ship for 60,000 rupees, but breaks his engagement. A. must pay to B., by way of compensation, the excess, if any, of the contract price over the price which B. can obtain for the ship at the time of the breach of engagement.

(i.) A. agrees to buy of B., at a stated price, 100 bales of jute, to be delivered on the 1st of January. Afterwards, on the 15th of December, A. gives notice to B. that he will not accept the jute; on the 1st of January the jute is tendered to A., who refuses to accept it. A. must pay to B., by way of compensation, the excess, if any, of the contract price over the sum which B. could obtain for the jute on the 1st of January.

(j.) A., the owner of a boat, enters into an engagement by contract with B. to take a cargo of jute to Mirzapore, for sale at that place, starting on a specified day. The boat does not start at the time appointed, whereby the arrival of the cargo at Mirzapore is delayed beyond the time when it would have arrived if the boat had sailed according to the contract. After that date, and before the arrival of the cargo, the price of jute falls. The measure of the compensation payable to B. by A., is the difference between the price which B. could have obtained for the cargo at Mirzapore at the time when it would have arrived if forwarded in due course, and its market price at the time when it actually arrived.

(k.) A. engages to repair B.'s house in a certain manner, and receives payment in advance. A. repairs the house, but not according to contract. B. is entitled to recover from A. the cost of making the repairs conform to the engagement.

(l.) A. agrees to let his ship to B. for a year from the 1st of January next for a certain price. Freight rises, and on the 1st of January the hire obtainable for the ship is higher than the contract price. A. breaks his engagement. He must pay to B., by way of compensation, a sum equal to the difference between the contract price and the hire which could be obtained for the use of the ship on the 1st of January.

(m.) A. engaged to supply B. with a certain quantity of iron at a fixed price, being a higher price than that for which A. could procure and deliver the iron. B. wrongfully refused to receive the iron. B. must pay to A., by way of compensation, the difference between the contract price of the iron and the sum for which A. could have obtained and delivered it.

(n.) A. delivers to B., a common carrier, a machine, to be conveyed, without delay, to A.'s mill, informing B. that his mill is stopped for want of the machine. B. unreasonably delays the delivery of the machine, and A. in consequence loses a profitable contract with the Government. A. is entitled to receive from B., by way of compensation, the average amount of profit which would have been made by the use of such machine during the time that delivery of it was delayed, but not to the loss sustained by not obtaining the Government contract.

(o.) A. having entered into an engagement with B. to supply B. with 1,000 tons of iron at 100 rupees a ton, to be delivered at a stated time, enters into an agreement with C. for the purchase of a certain quantity of iron at 80 rupees a ton, telling C. that he does so for the purpose of performing his engagement with B. C. fails to fulfil his engagement with A., who cannot procure other iron, and, in consequence, fails to fulfil his engagement with B. C. must pay to A. 20,000 rupees, being the profit which A. would have made by the performance of his engagement.

(p.) A. entered into an engagement with B. to make and deliver to B. by a fixed day, for a specified price, a certain piece of machinery. A. did not deliver the piece of machinery at the time specified, and in consequence of this B. was obliged to procure another, at a higher price than that which he was to have paid to A., and was prevented from fulfilling an engagement under which he lay to a third person at the time of his contract with A. (but which had not been then communicated to A.), and was compelled to make compensation for breach of his engagement. A. must pay to B., by way of compensation, the difference between the contract price of the piece of machinery and the sum paid by B. for another, but not the sum paid by A. to the third person by way of compensation.

(q.) A., a builder, undertakes to erect and finish a house by the 1st of January, in order that B. may give possession of it at that time to C., to whom B. has agreed to let it. A. is informed of the agreement between B. and C. A. builds the house so badly that before the 1st of January it falls down, and has to be rebuilt by B., who in consequence loses the rent which he was to have received from C., and is obliged to make compensation to C. for the breach of his engagement. A. must make compensation to B. for the cost of re-building the house, for the rent lost, and for the compensation made.

(r.) A. sells certain merchandise to B., warranting it to be of a particular quality, and B., in reliance upon this warranty, sells it to C. with a similar warranty. The warranties are broken, and B. becomes liable

liable to pay C. a sum of money by way of compensation. B. is entitled to be reimbursed this sum by A.

(s.) A. engages to supply B. with a threshing machine on the 15th of August; he is aware at the time of entering into the engagement that B. is in the habit of threshing out his wheat in the field, and sending it off at once to market. A. did not supply the machine on the 15th of August, but assured B. from day to day that it would be delivered shortly. He delivered the machine on the 11th of September. In consequence of the non-delivery of the machine, it became necessary for A. to carry the wheat home and stack it; it was injured by exposure to the weather, and had to be dried at a great expense; its quality was much deteriorated, and before it could be sold the market price of wheat had fallen. B., in consequence of these events, is unable to pay a judgment debt to C., who seizes and sells his property in execution. A. must make compensation to B. in respect of the expenses of carrying, stacking, and drying the wheat, and in respect of its deterioration in quality; but not in respect of the loss sustained by B. through the fall in the market price of wheat, nor in respect of the seizure of his property.

(t.) A. has entered into an engagement by contract to pay a sum of money to B. on a day specified. A. does not pay the money on the day appointed. B., in consequence of not receiving the money on that day, is unable to pay his debts, and is totally ruined. A. is not liable to make good to B. anything except the principal sum he contracted to pay, together with interest up to the day of payment.

(u.) A. engaged to deliver 50 maunds of saltpetre to B. on the 1st of January at a certain price. B. afterwards, before the 1st of January, agreed to sell the saltpetre to C. at a price higher than the market price of the 1st of January. A. broke his engagement. In estimating the compensation payable by A. to B. the market price of the 1st of January, and not the profit which would have arisen to B. from the sale to C., is to be taken into account.

(v.) A. engaged to sell and deliver 500 bales of cotton to B. on a fixed day. A. broke his engagement, and B. having no cotton, was obliged to close his mill. A. is not responsible to B. for the loss caused to B. by the closing of his mill.

(w.) A. agreed to sell and deliver to B. on the 1st of January certain cloth which B. intended to manufacture into caps of a particular kind, for which there was no demand except at that season. The cloth was not delivered till long after the appointed time, and too late to be used that year in making caps. A. is entitled to receive from B., by way of compensation, the difference between the contract price of the cloth and its market price at the time of delivery, but not the profits which he expected to obtain by making caps, nor the expenses which he has been put to in making preparation for the manufacture.

(x.) A., a ship-owner, agreed with B. to convey him from Calcutta to Sydney in A.'s ship, sailing on the 1st of January; and B. paid to A. by way of deposit one-half of his passage money. The ship did not sail on the 1st of January, and B., after being in consequence detained in Calcutta for some time, and thereby put to some expense, proceeded to Sydney in another vessel, and in consequence, arriving too late in Sydney, lost a sum of money. A. is liable to repay to B. his deposit with interest, and the expense to which he was put by his detention in Calcutta, but not the sum of money which he lost by arriving in Sydney too late.

PART III.—ON CERTAIN OBLIGATIONS RESEMBLING THOSE CREATED BY CONTRACT.

54. Where a person has, either by words spoken or written, or by his conduct, led another to believe that a certain state of things exists which does not really exist, with the intention that the other shall act upon such belief in a transaction between them, and the other accordingly acts upon such belief; the person who has caused such belief is bound to place the other in the same position as if such a state of things had existed, or, in default, to make compensation to the other in respect of any loss or damage which he has incurred by acting upon such belief.

Effect of one person intentionally leading another to believe in a non-existent state of things, when the other acts on such belief.

55. A person who, by a false representation, induces another to enter into a contract with a third party, is bound to make good the representation if he knew it to be false, or if, in the due discharge of his duty, he ought to have known it to be so.

Effect of one person, by a false representation, inducing another to contract with a third party.

Illustrations.

(a.) A. is trustee for B. of certain property. B. creates a charge upon the trust property, of which notice is given to A. B. afterwards enters into treaty with C. for the sale of the property. C. asks A. whether the property is incumbered or not. A. not remembering the notice, replies in the negative, and C. thereupon buys the property. A. as well as B. is responsible for the discharge of the incumbrance.

(b.) A. conveys his property to B., upon a secret trust for A.'s benefit and permits B. to appear as the owner of it. B. alienates the property to a person who is not aware of the trust. A. cannot dispute the alienation.

(c.) A. being applied to by B. for merchandise upon credit, asks C. whether B. is in good circumstances. C., knowing B. to be deeply in debt, with the intention of inducing A. to comply with B.'s wishes, replies that B. is in good circumstances. In consequence of this reply, A. lets B. have the merchandise on credit. B. becomes insolvent before the time for payment arrives. C. is liable to make good to A. the value of the merchandise.

(d.) C., without any particular knowledge of B.'s means, speaks of him in the presence of A. as a person in good circumstances. A. in consequence lets B. have merchandise on credit. B. becomes insolvent. C. is not liable to make good to A. the value of the merchandise.

56. If one person makes a deliberate statement as to his own future conduct to another, with the intent that it should be acted upon, and the other acts upon the faith of such assurance, the person who made the statement must make it good.

Representation as to future conduct.

Illustration.

A. holding a decree against B., and knowing that B. is desirous to be married to C., assures the father of C. that he will never enforce the execution of the decree against B. C.'s father, relying on this assurance, permits the marriage to take place. A. is not entitled to enforce the execution of the decree.

57. If a person incapable of entering into a contract, or any one whom he is legally bound to support, is supplied by another person with necessaries suited to his condition in life, the person who has furnished such supplies is entitled to be reimbursed from the property of such incapable person.

Supply of necessaries to persons incapable of contracting.

Illustrations.

- (a.) A. supplies B., a minor, with necessaries suitable to his condition in life. A. is entitled to be reimbursed from B.'s property.
- (b.) A. supplies the wife and children of B., a lunatic, with necessaries suitable to their condition in life. A. is entitled to be reimbursed from B.'s property.

Reimbursement of person paying what another is bound to pay.

58. A person who is interested in the payment of money which another is bound by law to pay, and who therefore pays it, is entitled to be reimbursed by the other.

Illustration.

A. holds some land in Bengal as zamindár. B. holds the land on a lease granted by A. The revenue payable by A. to the Government being in arrear, his land is advertised for sale by the Government. Under the revenue law, the consequence of such sale will be the annulment of B.'s lease. B., to prevent the sale and the consequent annulment of his own lease, pays to the Government the sum due from A. A. is bound to make good to B. the amount so paid.

Effect of non-gratuitous act of which a person enjoys the benefit.

59. Where a person lawfully does anything for another person, or delivers anything to him, not intending to do so gratuitously, and the other enjoys the benefit thereof, the latter is bound to restore or to make compensation to the former in respect of the thing so done or delivered.

This rule shall apply, notwithstanding that there shall have been a larger contract between the parties, which has been put an end to by reason of a breach thereof.

Illustrations.

(a.) A., a tradesman, leaves goods at B.'s house by mistake. B. treats the goods as his own. He is bound to pay A. for them.

(b.) A. contracts with B. to deliver to him 250 maunds of rice before the 1st of May. A. delivers 130 maunds only before that day and none after. B. retains the 130 maunds after the 1st of May. He is bound to pay A. for them.

(c.) A., a singer, enters into an engagement with B., the manager of a theatre, to sing at his theatre for two nights in every week during the next two months, and B. engages to pay her 100 rupees for each night's performance; on the sixth night the singer wilfully absents herself from the theatre, and B. in consequence puts an end to the engagement. B. must pay A. for the five nights on which she had sung.

Responsibility of finder of goods.

60. A person who finds goods belonging to another, and takes them into his custody, is subject to the same responsibility as a bailee.

Liability of person to whom money is paid by mistake or coercion.

61. A person to whom money has been paid by mistake or under coercion is liable to repay it.

Illustration.

A. and B. jointly owe 100 rupees to C. A. alone pays the amount to C., and B., not knowing this fact, pays 100 rupees over again to C. C. is bound to repay the amount to B.

PART IV.—SALE OF GOODS.

"Goods" defined.

62. In the following chapter the word "goods" is used to denote every kind of moveable property.

"Sale" defined.

63. Sale is the exchange of anything which is property for a price. It involves the transference of the ownership of the thing sold from the seller to the buyer.

Sale how effected.

64. Sale is effected by offer and acceptance of ascertained goods for a price, or of a price for ascertained goods, together with payment of the price or delivery of the goods, or with tender, part payment, earnest, or part delivery, or with an agreement, express or implied, that the payment, or delivery, or both, shall be postponed.

Illustrations.

(a.) B. offers to buy A.'s horse for 500 rupees. A. accepts the offer, and tells B. to take away the horse. The horse has been sold to B.

(b.) A. sends goods to B., with the request that he will buy them at a stated price if he approves of them, or return them if he does not approve of them. B. retains the goods, and informs A. that he approves of them. The goods have been sold to B.

(c.) B. offers A. for his horse 1,000 rupees, the horse to be delivered to B. on a stated day, and the price to be paid on another stated day. A. accepts the offer. The horse has been sold to B. by offer and acceptance with an agreement to postpone delivery and payment.

(d.) B. offers A. for his horse 1,000 rupees, on a month's credit. A. accepts the offer. The horse has been sold to B. by offer and acceptance with an agreement to postpone the payment.

(e.) B., on the 1st January 1863, offers to A. for a quantity of rice 2,000 rupees, to be paid on the 1st March following, the rice not to be taken away till paid for. A. accepts the offer. The rice has been sold to B.

Effect of agreement for sale of thing to be ascertained, made, or finished.

65. By an agreement for the sale of a thing which has yet to be ascertained, made, or finished, no ownership of any portion of that thing passes to the buyer until it is ascertained, made, or finished.

Illustration.

B. orders A., a barge-builder, to make him a barge. The price is not made payable by instalments. While the barge is building, B. pays to A. money from time to time on account of the price. The ownership of the barge does not pass to B. until it is finished.

Sale of goods which the seller is to put into state in which buyer is to take them.

66. Where by an agreement for the sale of goods the seller is to do anything to them for the purpose of putting them into a state in which the buyer is to take them, the sale is not complete until such thing has been done.

Illustrations.

Illustrations.

(a.) A., a ship-builder, agrees to sell to B. for a stated price, a vessel which is lying in A.'s yard; the vessel to be rigged and fitted for a voyage, and the price to be paid on delivery. Under the agreement a sale is not effected until the vessel has been rigged, fitted up, and delivered.

(b.) A. contracts to build a ship for B. for a price, payable by instalments dependent on the progress of the building of the ship, and the ship is to be built under B.'s superintendence. The ownership of the materials incorporated with the ship passes to B. at the time of incorporation, as this was intended by the parties, but the materials lying in A.'s yard, though suited and intended for the ship, do not pass to B. until they are actually incorporated with the ship.

67. Where anything remains to be done to the goods by the seller for the purpose of ascertaining the amount of the price, the sale is not complete until this has been done.

Sale of goods when seller has to do anything thereto in order to ascertain price.

Illustrations.

(a.) A., owner of a stack of bark, agrees to sell it to B. at 100 rupees per ton; B. agrees to take and pay for it on a certain day. Part is weighed and delivered to B.; the ownership of the residue is not transferred to B. until it has been weighed pursuant to the contract.

(b.) A. agrees to sell a heap of clay to B. at a certain price per ton; B. is by the agreement to load the clay in his own carts, and to weigh each load at a certain weighing machine which his carts must pass over on their way from A.'s ground to B.'s place of deposit. Here nothing more remains to be done by the seller, the sale is complete, and the ownership of the heap of clay is transferred at once.

68. Where the goods are not ascertained at the time of making the agreement for sale it is necessary to the completion of the sale that the goods shall be ascertained.

Sale when goods are unascertained at date of agreement.

Illustration.

A. agrees to sell to B. 20 tons of oil in A.'s cisterns. A.'s cisterns contain more than 20 tons of oil. B. has not acquired the ownership of any portion of the oil.

69. Where the goods are not ascertained at the time of making the agreement for sale, but goods answering the description in the agreement are subsequently appropriated by one party for the purpose of the agreement, and that appropriation is assented to by the other, the goods have been ascertained, and the sale is complete.

Ascertainment of goods by subsequent appropriation.

Illustration.

A. having a quantity of sugar in bulk, more than sufficient to fill 20 hogsheads, agrees to sell B. 20 hogsheads of it. After the agreement, A. fills 20 hogsheads with the sugar, and gives notice to B. that the hogsheads are ready, and requires him to take them away. B. says he will take them as soon as he can. By this appropriation by A. and assent by B., the ownership passes to B.

70. Where the goods are not ascertained at the time of making the agreement for sale, and by the terms of the agreement the seller is to do an act with reference to the goods which cannot be done until they are appropriated to the buyer, the seller has a right to select any goods answering to the agreement, and by his doing so the goods are ascertained.

Ascertainment of goods by seller's selection.

Illustration.

B. agrees with A. to purchase of him at a stated price, to be paid on a fixed day, 50 maunds of rice out of a larger quantity in A.'s granary. It is agreed that B. shall send sacks for the rice, and that A. shall put the rice into them. B. does so, and A. puts 50 maunds of rice into the sacks. The goods have been ascertained.

71. Where an agreement is made for the sale of immoveable and moveable property combined, the ownership of the moveable property does not pass before the transference of the immoveable property.

Agreement for sale of immoveable and moveable property combined.

Illustration.

A. agrees with B. for the sale of a house and furniture. The ownership of the furniture does not pass to B. until the house is conveyed to B.

72. Where goods are sold by auction, there is a distinct and separate sale of the goods in each lot, by which the ownership thereof is transferred as each lot is knocked down.

Sale of several lots by auction.

73. A buyer to whom the ownership of the goods sold has passed, is liable to bear any loss arising from the destruction or injury of the goods.

Buyer's risk.

Illustration.

B. offers and A. accepts 100 rupees for a stack of fire-wood standing on A.'s premises, the fire-wood to be allowed to remain on A.'s premises till a certain day, and not to be taken away till paid for. Before payment, and while the fire-wood is on A.'s premises, it is accidentally destroyed by fire. B. must bear the loss.

74. A valid agreement for the sale of goods may be made either by word or mouth or by writing.

Agreement for sale may be oral or written.

75. The ownership of goods may be acquired by buying them from any person who is in possession of them: provided that the buyer acts in good faith, and under circumstances which are not such as to raise a reasonable presumption that the person in possession has no right to sell them.

Acquisition of ownership of goods by purchase from their possessor.

Illustrations.

(a.) A. steals a cow from B. and sells it at a cattle-market to C., a purchaser, in good faith. A. is afterwards convicted of the theft. B. cannot recover the cow from C.

(b.) A., a person whose rank and occupation are not such as to account for his having plate in his possession, sells a piece of plate to B. without giving a satisfactory explanation of the manner in which he had become possessed of it. The plate had, in fact, been stolen from C.; C., on proof of the theft, can recover the plate from B.

(c.) A., a commercial agent, to whom goods have been consigned, with instructions not to sell them without reference

reference to the consignor, sells them to B., who has no ground for a reasonable presumption that A. has no right to sell them. The consignor cannot disturb the sale.

(d.) A., a commercial agent, to whom goods have been consigned with instructions not to sell them without reference to the consignor, sells them, without such reference, to B. who is acquainted with the instructions given to A. The sale is void as against the consignor.

Aquisition by purchase from possessor of documentary title.

76. The ownership of goods may be acquired by buying them from any person who is in possession of a bill of lading, dock-warrant, warehouse keeper's certificate, wharfinger's certificate, or warrant or order for delivery, or any other documentary title to the goods: provided that the buyer acts in good faith and under circumstances which are not such as to raise a reasonable presumption that the person in possession of the document has no right to sell the goods.

Illustration.

A. sells to B. goods of which he has the bill of lading, but the bill of lading is made out for delivery of the goods to C., and it has not been indorsed by C. The sale is not valid.

Transfer of ownership of goods agreed to be sold while non-existent.

77. Under an agreement for the sale of goods not yet in existence, the ownership of the goods may be transferred by acts which, after the goods are produced, are done in pursuance of the agreement by the seller, or by the buyer with the seller's assent.

Illustrations.

(a.) A. agrees to sell to B. for a stated price all the indigo which shall be produced at A.'s factory during the ensuing year. A., when the indigo has been manufactured, gives to B. an acknowledgment that he holds the indigo at his disposal. The ownership of the indigo vests in B. from the date of the acknowledgment.

(b.) A. for a stated price agrees that B. may take and sell any crops that shall be grown on his land in succession to the crops then standing. Under this agreement B., with the assent of A., takes possession of some crops grown in succession to the crops standing at the time of the agreement. The ownership of the crops when taken vests in B.

(c.) A. for a stated price agrees that B. may take and sell any crops that shall be grown on his land in succession to the crops then standing. Under this agreement B. applies to A. for possession of some crops grown in succession to the crops which were standing at the time of the agreement. A. refuses to give possession. The ownership of the crops does not pass to B.

Contract to sell and deliver at a future day goods not in seller's possession at date of contract.

78. An agreement for the sale of goods to be delivered at a future day is binding, though the goods are not in the possession of the seller at the time of making the agreement, and though at that time he has no reasonable expectation of acquiring them otherwise than by purchase.

Illustration.

A. agrees on the 1st January to sell B. 50 shares in the East Indian Railway Company, to be delivered and paid for on the 1st March of the same year. A., at the time of making the agreement, is not in possession of any shares. The agreement is valid.

Determination of unfixed price.

79. Where there has been a sale, or an agreement to sell, and the amount of the price has not been fixed, it shall be determined by the consideration of what is just and reasonable.

Illustration.

B., living at Patna, orders of A., a coach-builder at Calcutta, a carriage of a particular description. Nothing is said by either as to the price. The order having been executed, and the price being in dispute between the buyer and the seller, the amount of it must be determined by the consideration of what is just and reasonable.

Delivery.

Delivery how made.

80. Delivery of goods sold may be made by doing anything which has the effect of putting them in the possession of the buyer, or of any person authorised to hold them on his behalf.

Illustrations.

(a.) A. sells to B. a horse, and causes or permits it to be removed from A.'s stables to B.'s. This is a delivery.

(b.) B. in England orders 100 bales of cotton from A., a merchant of Bombay, and sends his own ship to Bombay for the cotton. The putting the cotton on board the ship is a delivery to B.

(c.) A. sells to B. certain specific goods which are locked up in a godown. A. gives B. the key of the godown, in order that he may get the goods. This is a delivery.

(d.) A. sells to B. five specific casks of oil. The oil is in the warehouse of A. B. sells the five casks to C. A. receives warehouse rent for them from C. This amounts to a delivery of the oil to C., as it shows an assent on the part of A. to hold the goods as warehouseman of C.

(e.) A. sells to B. 50 maunds of rice in the possession of C., a warehouseman. A. gives B. an order to C. to transfer the rice to B., and C. assents to such order, and transfers the rice in his books to B. This is a delivery.

(f.) A. agrees to sell B. five tons of oil at 1,000 rupees per ton, to be paid for at the time of delivery. A. gives to C., a wharfinger, at whose wharf he had 20 tons of the oil, an order to transfer five of them into the name of B. C. makes the transfer in his books, and gives A.'s clerk a notice of the transfer for B. A.'s clerk takes the transfer notice to B., and offers to give it him on payment of the bill. B. refuses to pay. There has been no delivery to B., as B. never assented to make C. his agent to hold for him the five tons selected by A.

Effect of delivery to wharfinger or carrier.

81. A delivery to a wharfinger or carrier of the goods sold, which do not reach the buyer, does not render the buyer liable for the price, unless the delivery is so made as to enable him to hold the wharfinger or carrier responsible for the safe delivery of the goods.

Illustration.

B., at Agra, orders of A., who lives at Calcutta, three casks of oil to be sent to him by railway. A. takes three casks of oil directed to B. to the railway station, and leaves them there without conforming to the rules which

which must be complied with in order to render the railway company responsible for their safety. This is not a sufficient delivery to charge B. in a suit for the price, if the goods are not delivered to the buyer.

82. A delivery of part of the goods in progress of the delivery of the whole has the same legal effect as a delivery of the whole; but a delivery of part of the goods with an intention of severing it from the whole, does not operate as a delivery of the remainder. Effect of part-delivery.

Illustrations.

(a.) A ship arrives in a harbour laden with a cargo consigned to A., the buyer of the cargo. The captain begins to discharge it, and delivers over part of the goods to A. in progress of the delivery of the whole. This is a delivery of the cargo to A.

(b.) A. sells to B. a stack of fire-wood, be paid for by bill on delivery. After the sale, B. applies for and obtains from A. leave to take away some of the fire-wood. This has not the legal effect of delivery of the whole.

(c.) A. sells 50 maunds of rice to B. The rice remains in A.'s warehouse. After the sale, B. sells to C. 10 maunds of the rice, and A., at B.'s desire, sends the 10 maunds to C. This has not the legal effect of a delivery of the whole.

83. In the absence of any special agreement, the seller of goods is not bound to deliver them until the buyer applies for possession. Seller not bound to deliver until buyer applies for possession.

84. In the absence of any agreement as to delivery, goods sold are to be delivered at the place at which they are at the time of the sale; and goods agreed to be sold are to be delivered at the place at which they are at the time of the agreement for sale, or, if not then in existence, at the place at which they are produced. Place of delivery.

Seller's Lien.

85. Unless a contrary intention appears by the agreement, a seller has a lien on sold goods as long as they remain in his possession, and the price or any part of it remains unpaid. Seller's lien.

86. Where by the agreement the payment is to be made at a future day, but no time is fixed for the delivery of the goods, the seller has no lien, and the buyer is entitled to a present delivery of the goods without payment. But if the buyer becomes insolvent before delivery of the goods, the seller may retain the goods for the price. Lien where payment to be made at a future day, but no time fixed for delivery.
Insolvency defined.

Explanation.—A person is insolvent who has ceased to pay his debts in the usual course of business, or who is incapable of paying them.

Illustration.

A. sells to B. a quantity of sugar in A.'s warehouse. Payment is agreed to be made by a bill of exchange at three months. B. gives A. the bill of exchange, but allows the sugar to remain in A.'s warehouse. Before the bill falls due B. stops payment. A. may retain the goods for the price.

87. Where by the agreement the payment is to be made at a future day, and the buyer allows the goods to remain in the possession of the seller until that day, and does not then pay for them, the seller may retain the goods for the price. Where payment to be made at future day, and buyer allows goods to remain in seller's possession.

Illustration.

A. sells to B. a quantity of sugar in A.'s warehouse. Payment is agreed to be made by a bill of exchange at three months. B. gives the bill of exchange, but allows the sugar to remain in the warehouse. The bill is dishonoured. A. may retain the goods for the price.

88. A seller in possession of goods sold may retain them for the price against any subsequent buyer, unless the seller has recognised the title of the subsequent buyer. Seller's Lien against subsequent buyer.

Illustrations.

(a.) A. sells to B. at three months' credit a chest of tea then in the custody of X., a wharfinger. A. gives B. a delivery order for the tea, and before the expiration for the credit, B. re-sells the tea to C. for cash, and transfers to him the delivery order. B. stops payment before C. obtains possession under the order. A. may countermand the order to X., and retain the goods against C.

(b.) A. sells to B. a cargo of sugar then in the warehouse of A.; B., according to the terms of the sale, gives A. his acceptance at three months for the price of the sugar. B. sells the sugar to C. for cash, and gives C. an order addressed to A., requesting him to deliver the sugar to C. A. assents to the delivery order, and agrees to hold for C. Afterwards B. becomes insolvent, and his acceptance is dishonoured. A. cannot retain the goods against C.

Stoppage in Transit.

89. A seller who has parted with the possession of the goods, and has not received the whole price, may, in the event of the buyer becoming insolvent, stop the goods while they are in transit to the buyer. Power to stop in transit.

90. Goods are to be deemed in transit while they are in the possession of the carrier, or lodged at any place in the course of transmission to the buyer, and are not yet come into the possession of the buyer, or any person on his behalf, otherwise than as being in possession of the carrier, or as being so lodged. When goods are to be deemed in transit.

Illustrations.

(a.) B., living at Madras, orders goods of A. at Patna, and directs that they shall be sent to Madras. The goods are sent to Calcutta, and there delivered to C., a wharfinger, to be forwarded to Madras. The goods, while they are in the possession of C., are in transit.

(b.) B. at Delhi orders goods of A. at Calcutta. A. consigns and forwards the goods to B. at Delhi. On arrival there, they are taken to the warehouse of B. and left there. B. refuses to receive them, and immediately afterwards stops payment. The goods are in transit.

(c.) B., who lives at Puna, orders goods of A. at Bombay. A. sends them to Puna by C., a carrier appointed by B. The goods arrive at Puna, and are placed by C., at B.'s request, in C.'s warehouse for B. The goods are no longer in transit.

(d.) B., a merchant of London, orders 100 bales of cotton of A., a merchant at Bombay. B. sends his own ship to Bombay for the cotton. The transit is at an end when the cotton is delivered on board the ship.

Continuance of right of stoppage.

91. The right of stoppage does not cease on the buyer's re-selling the goods while in transit, and receiving the price; but continues until the goods have been delivered to the second buyer, or to some person on his behalf.

Cessation of right on assignment of bill of lading.

92. The right of stoppage ceases if the buyer, while the goods are in transit, assigns a bill of lading in respect of them to a second buyer in good faith for valuable consideration.

Illustrations.

(a.) A. sells and consigns certain goods to B. A. being still unpaid, B. becomes insolvent, and while the goods are in transit assigns the bill of lading for cash to C., who is not aware of his insolvency. A. cannot stop the goods in transit.

(b.) A. sells and consigns certain goods to B. A. being still unpaid, B. becomes insolvent, and while the goods are still in transit assigns the bill of lading for cash to C., who knows that B. is insolvent. The assignment not being in good faith, A. may still stop the goods in transit.

Cessation of right on fulfilment of condition.

93. Where a bill of lading is not negotiable until a certain condition has been fulfilled, the right of stoppage does not cease until such condition has been fulfilled.

Illustration.

A. sells and despatches goods to B. and sends him a letter enclosing the bill of lading, and directing him not to part with it until he has accepted certain bills of exchange which A. has drawn against the consignment. B., without accepting the bills of exchange, assigns the bill of lading to a buyer in good faith for a valuable consideration. A.'s right of stoppage does not cease upon such assignment.

Stoppage on payment to pledgee of amount of claim.

94. Where a bill of lading is assigned by the buyer by way of pledge to secure an advance which has been made upon it in good faith, the seller may, on payment or tender to the pledgee of the amount of his claim, stop the goods in transit.

Illustrations.

(a.) A. sells and consigns goods to B. of the value of 12,000 rupees. B. assigns the bill of lading for those goods to C. to secure a specific advance of 5,000 rupees made to him upon the bill of lading by C. B. becomes insolvent, being indebted to C. to the amount of 9,000 rupees. A. is entitled to stop the goods on payment or tender to C. of 5,000 rupees.

(b.) A. sells and consigns goods to B. of the value of 12,000 rupees. B. assigns the bill of lading for those goods to C. to secure the sum of 5,000 rupees due from him to C. upon a general balance of account. B. becomes insolvent. A. is entitled to stop the goods in transit for the whole sum due to him.

Stoppage how effected.

95. Stoppage in transit may be effected by the seller, either by taking actual possession of the goods, or by giving notice of his claim to the carrier or other depositary in whose possession they are.

Notice of seller's claim.

96. The notice may be given either to the person who has the immediate possession of the goods, or to the principal whose servant has the possession. In the latter case, it must be given at such a time, and under such circumstances, that the principal, by the exercise of reasonable diligence, may communicate it to his servant in time to prevent a delivery to the buyer.

Right of seller on stoppage.

97. Stoppage in transit entitles the seller to hold the goods stopped until the price of the whole of the goods sold is paid.

Illustration.

** A. sells to B. 100 bales of cotton; 60 bales having come into B.'s possession, and 40 being still in transit, B. becomes insolvent, and A., being still unpaid, stops the 40 bales in transit. A. is entitled to hold the 40 bales until the price of the 100 bales is paid.

Re-sale.

Re-sale on buyer's failure to perform.

98. Where the buyer fails to perform his part of the agreement, either by not taking the goods sold to him or by not paying for them, the seller may re-sell them within a reasonable time after giving notice to the buyer of his intention to do so; and the buyer must bear any loss, but is not entitled to any profit which may occur on the re-sale.

Warranty of Title.

Seller's responsibility for badness of title.

99. If the buyer, or any person claiming under him, is, by reason of the invalidity of the seller's title, deprived of the thing sold, the seller is responsible to the buyer for the loss thereby caused, unless a contrary intention appears by the agreement.

Implied warranty of goodness or quality.

100. An implied warranty of goodness or quality may be established by the custom of any particular trade.

Warranty of soundness on sale of provisions.

101. On the sale of provisions there is an implied warranty that they are sound.

102. On

102. On the sale of goods by sample there is an implied warranty that the bulk is equal in quality to the sample. Warranty on sale of goods by sample.

103. Where goods are sold as being of a certain denomination, there is an implied warranty that they are such goods as are commercially known by that denomination, although the buyer may have bought them by sample or after inspection of the bulk. Warranty on sale of goods sold as being of a certain denomination.

Illustrations.

(a.) A. at Calcutta, sells to B. 12 bags of "waste silk," then on its way from Moorshedabad to Calcutta. There is an implied warranty by A. that the silk shall be such as is known in the market under the denomination of "waste silk."

(b.) A. sells parcels of "linseed oil" by sample to B. There is an implied warranty by A. that the article sold is such as is known in the market as "linseed oil"; and if he delivers an article which, though equal to sample, is not such as is known in the market as linseed oil, there is a breach of the implied warranty.

(c.) A. sells to B. 40 casks of "oxalic acid," B. having before the sale seen the bulk of the acid, and inspected samples of it. The acid proves to be so adulterated as not to be the article known in commerce as "oxalic acid." There is here a breach of an implied warranty.

(d.) A. in London, where inland bills of exchange do, and foreign bills of exchange do not, by law require a stamp, sells to B. a bill of exchange unstamped and purporting to be a foreign bill. There is an implied warranty by A. that the bill is a foreign bill; and if it turns out that the bill is not a foreign but an inland bill, there is a breach of that implied warranty.

104. Where goods have been ordered for a specified purpose, for which goods of the denomination employed in the order are usually sold, there is an implied warranty by the seller that the goods supplied are fit for that purpose. Warranty where goods ordered for a specified purpose.

Illustration.

B. orders of A., a copper manufacturer, copper for sheathing a vessel. A. on this order supplies copper. There is an implied warranty that the copper is fit for sheathing a vessel.

105. Upon the sale of an article of a well-known ascertained kind there is no implied warranty of its fitness for any particular purpose. Sale of article of a well-known ascertained kind.

Illustration.

B. writes to A., the owner of a patent invention for cleaning cotton, "Send me your patent cotton-cleaning machine to clean the cotton at my factory." A. sends the machine according to order. There is an implied warranty by A. that it is the article known as A.'s patent cotton-cleaning machine, but none that it is fit for the particular purpose of cleaning the cotton at B.'s factory.

106. In the absence of fraud and of any express warranty of quality, the seller of an article which answers the description under which it was sold, is not responsible for a latent defect in it. Non-responsibility for latent defects.

Illustration.

A., in good faith, sells and delivers to B. scrip certificates of shares in a certain railway company. Afterwards the scrip is repudiated on the ground that it had been issued without authority. A. is not responsible for loss sustained by B. in consequence.

107. Where a specific article has been sold with a warranty and the warranty is broken, the sale is not thereby rendered voidable, but the buyer is entitled to compensation from the seller for loss caused by the breach of warranty. Buyer's right on breach of warranty.

Illustration.

A. sells to B. a horse, warranted sound. The horse proves to have been unsound at the time of sale. B. is entitled to compensation from A. for loss caused by the unsoundness.

108. Where there has been an agreement for the sale of goods with a warranty, and the warranty is broken, the buyer may reject the goods on their being tendered to him, or may return them after the lapse of not more than a reasonable time for ascertaining the breach of warranty: provided that beyond keeping them such time, and examining or trying them, he does not exercise any act of ownership over them; or he may retain them; and whichever course he follows, he is entitled to compensation from the seller for loss caused by the breach of warranty. Rejection or return of goods sold with warranty.

Illustrations.

(a.) A. agrees to sell to B. 200 bales of cotton by sample. Cotton not in accordance with sample is delivered to B. He may return it if he has not kept it longer than a reasonable time for the purpose of examination.

(b.) B. agrees to buy of A. 25 sacks of flour by sample. The flour is delivered to B. who pays the price. B., upon examination, finds it not equal to sample, and complains of this to A. B. afterwards uses two sacks, and sells one. He cannot now repudiate the contract and recover the price, but he is entitled to compensation from A. for any loss caused by the breach of warranty.

Refusal to accept.

109. When the seller sends goods not ordered with goods ordered, the buyer may refuse to accept any of the goods so sent, if there is risk or trouble in separating the goods ordered from the goods not ordered. Refusal to accept when goods not ordered are sent.

Illustration.

A. orders of B. specific articles of china. B. sends these articles to A. in a hamper with other articles of china, which had not been ordered. A. may refuse to accept any of the goods sent.

110. If a buyer wrongfully refuses to accept the goods sold to him, this amounts to a breach of the contract of sale. Effect of wrongful refusal to accept.

Rescission in Default of Payment.

Rescission on failure to pay price at time fixed.

111. The seller of goods is not entitled to rescind the agreement on the buyer's failing to pay the price at the time fixed, unless it was stipulated by the agreement that he should be so entitled.

Auction.

Puffers at auction.

112. If at a sale by auction the seller makes use of pretended biddings to raise the price, the sale is voidable at the option of the buyer.

PART V.—OF INDEMNITY AND GUARANTEE.

Indemnity defined.

113. A person can bind himself to save another person from eventual loss.

The security thus afforded is called indemnity when the loss guarded against is that which may be consequent upon the conduct of some person.

Illustrations.

(a.) A gives B. a letter of indemnity against the consequences of any proceedings which C. may take against B. in respect of a certain sum of 200 rupees. Here A. binds himself by an express engagement to save B. from consequent loss if C. shall act as contemplated.

(b.) B. accepts a bill of exchange, at A.'s request, for the accommodation of A. A. does not provide for the bill at maturity, and B. is compelled to pay it. A. is liable to B. for the amount of the bill. Here A. binds himself by an implied engagement to indemnify B. against loss consequent on a failure on A.'s part to provide for payment of the bill when due.

Agent's indemnity against consequences of lawful acts.

114. The employer of an agent is bound to indemnify him against the consequences of all lawful acts done by him in exercise of the authority conferred upon him.

Illustrations.

(a.) B., a stockbroker at London, and member of the Stock Exchange, at the request of A., buys for him 20 shares in a bank, "to be paid for on settlement day." Before the settlement day arrives, the bank stops payment, and A. repudiates the transaction, and tells B. not to pay the price. By the rules of the Stock Exchange, however, B. is compelled to pay the price on the settlement day. A. is liable to B. for the price on an implied agreement to indemnify.

(b.) B. at Singapore, under instructions from A. of Calcutta, contracts with C. to deliver certain goods to him. B. does not send the goods to B., and C. sues B. for breach of contract. B. informs A. of the suit, and A. authorises him to defend the suit. C. defends the suit, and is compelled to pay damages and costs, and incurs expenses. A. is liable to B. for such damages, costs, and expenses.

(c.) B. a broker at Calcutta, by the orders of A., a merchant there, contracts with C. for the purchase of 10 casks of oil for A. Afterwards A. refuses to receive the oil, and C. sues B. B. informs A., who repudiates the contract altogether. B. defends, but unsuccessfully, and has to pay damages and costs, and incurs expenses. A. is liable to B. for such damages, costs, and expenses.

Agent's indemnity against consequences of acts done in good faith.

115. Where one person employs another to do an act, and the agent does the act in good faith, the employer is liable to indemnify the agent against the consequences of that act, though it cost an injury to the rights of third persons.

Illustrations.

(a.) A., a decree-holder and entitled to execution of B.'s goods, requires the nâzir to seize certain goods representing them to be the goods of B. The nâzir seizes the goods, and is sued by C., the true owner of the goods. A. is liable to indemnify the nâzir for the sum he is compelled to pay to C., in consequence of obeying A.'s directions.

(b.) B., an auctioneer, at request of A., sells goods in the possession of A., but which A. had no right to dispose of. B. does not know this, and hands over the proceeds of the sale to A. Afterwards C., the true owner of the goods, sues B. and recovers the value of the goods and costs. A. is liable to indemnify B. for what he has been compelled to pay to C., and for B.'s own expenses.

(c.) A. employs B. to make a quantity of fire-bricks with a trade-mark, which A. knows, but B. does not, to be the trade-mark of C. B. makes and marks the bricks as ordered. C. obtains an injunction against B. A. is liable to pay B. the amount of his expenses.

Non-liability of employer of agent to do a criminal act.

116. Where one person employs another to do an act which is criminal, the employer is not liable to the agent, either upon an express or an implied promise, to indemnify him against the consequences of that act.

Illustrations.

(a.) A. employs B. to beat C., and agrees to indemnify him against all consequences of the act. B. thereupon beats C., and has to pay damages to C. for so doing. A. is not liable to indemnify B. for those damages.

(b.) B., the proprietor of a newspaper, publishes, at A.'s request, a libel upon C. in the paper, and A. agrees to indemnify B. against the consequences of the publication, and all cost and damages of any action in respect thereof. B. is sued by C. and has to pay damages, and also incurs expenses. A. is not liable to B. upon the indemnity.

Rights and liabilities of indemnity-holder when sued.

117. Where a person holds an indemnity and a suit is brought against him in respect of matters comprised in the indemnity, it is his duty to give notice to the person who is bound to indemnify him; and if that person does not authorise him to defend the suit, he is at liberty to compromise it. Whether he defends the suit under such authority as aforesaid, or in the absence of such authority compromises it, he is entitled to receive from the person bound to indemnify him the damages and costs which he has been compelled to pay.

If he defends the suit without such authority, he is entitled to receive from the person bound to indemnify him the amount he has been compelled to pay, exclusive of any expenses caused by his having defended the suit; unless in defending it he has acted as a prudent man holding no indemnity would have acted in his own case.

(a.) B. at

Illustrations.

(a.) B. at the request of A., accepts a bill of exchange for the accommodation of A. C., the holder of the bill, sues B. upon it. B. has clearly no defence, but, without the authority of A., he defends the suit, and has to pay costs as well as the amount of the bill. B. can only recover from A. the amount of the bill, upon A.'s implied promise to indemnify.

(b.) C. who holds a lease from W. of certain houses, assigns the lease to B., who agrees to indemnify and save harmless C. from all damages and expenses in respect of the breach of any of the covenants therein. B. re-assigns the lease to A., who gives a like indemnity to B. A. commits a breach of a covenant to repair. W. sues C. and recovers 2,000 rupees, and C. has to pay, in addition, 800 rupees as costs and expenses. C. sues B., who defends the suit unsuccessfully, and has to pay to C. the 2,800 rupees; and also incurs costs and expenses in the defence. A. is only liable to B. for 2,800 rupees, and not for the costs and expenses, as the amount of liability was ascertained by the suit of W. against C., and B. ought to have paid that amount at once to C. on demand.

118. An engagement to fulfil the liability of a third person in case of his default is called a guarantee when founded on sufficient consideration. The person who gives the guarantee is called the surety, the person primarily liable is called the principal debtor, and the person to whom the guarantee is given is called the creditor. A guarantee may be either oral or written.

Definitions of "guarantee," "surety," "principal debtor," and "creditor."

119. Anything which is done or agreed to be done for the benefit of the principal debtor, and which is an inducement to the surety to give the guarantee, may be a sufficient consideration.

Consideration for guarantee.

Illustrations.

(a.) B. requests A. to sell and deliver to him goods on credit. A. agrees to do so, provided C. will guarantee the payment of the price of the goods. C. agrees to guarantee the payment of the goods to be supplied. This is a good guarantee.

(b.) A. sells and delivers goods to B. C. afterwards requests A. to forbear to sue B. for the debt for a year, and promises that if he does so, C. will pay for them in default of payment by B. A. agrees to forbear as requested. There is here a sufficient consideration to sustain C.'s guarantee.

(c.) A. sells and delivers goods to B. C. afterwards promises A. to pay for them in default of B. This is not a guarantee, as there is no consideration to support it.

120. An offer to guarantee does not constitute a guarantee until it is accepted by the person to whom it is made, and the acceptance is notified to the offerer.

When offer constitutes a guarantee.

121. The liability of the surety is co-extensive with that of the principal debtor.

Surety's liability.

Illustration.

A. guarantees to B. the payment of a bill of exchange by C., the acceptor. The bill is dishonoured by C. A. is liable, not only for the amount of the bill, but also for any interest which may have become due on it.

122. A guarantee may extend to a series of transactions, in which case it is called a continuing guarantee.

Continuing guarantee.

Illustrations.

(a.) A., in consideration that B. will employ C. in collecting the rents of B.'s zamindari promises B. to be responsible to the amount of 5,000 rupees, for the due collection and payment by C. of those rents. This is a continuing guarantee.

(b.) A. promises B., a tea-dealer, to be responsible to the amount of 100*l.* for any tea he may supply to C. B. supplies C. with tea to above the value of 100*l.*, and C. pays B. for the same. Afterwards B. supplies C. with tea to the value of 200*l.* C. fails to pay. The guarantee given by A. was a continuing guarantee, and he is accordingly liable to B. to the extent of 100*l.*

(c.) A. agrees with B. to be answerable to him for the price of five sacks of flour, to be delivered by B. to C., payable in one month. B. delivers five sacks to C. A. pays for them. Afterwards B. delivers four sacks to C., which C. does not pay for. The guarantee given by A. was not a continuing guarantee, and accordingly he is not liable for the price of the four sacks.

123. A continuing guarantee may be at any time revoked by the surety as to future transactions, by notice to the creditor.

Revocation of continuing guarantee.

Illustrations.

(a.) A., in consideration of B.'s discounting, at A.'s request, bills of exchange for C., guarantees to B. for 12 months the due payment of all such bills to the extent of 5,000 rupees. B. discounts bills for C. to the extent of 2,000 rupees. Afterwards, at the end of three months, A. revokes the guarantee. This revocation discharges A. from all liability to B. for any subsequent discount; but A. is liable to B. for the 2,000 rupees, on default of C.

(b.) A. guarantees to B., to the extent of 10,000 rupees, that C. shall pay all the bills that B. shall draw upon him. B. draws upon C. C. accepts the bill. A. gives notice of revocation. C. dishonours the bill at maturity. A. is liable upon his guarantee.

124. The death of the surety operates as a revocation of a continuing guarantee, so far as regards future transactions, in the absence of any agreement to the contrary.

Revocation of continuing guarantee by surety's death.

125. Where, upon the face of the agreement, two persons are primarily liable to a third person, that liability is not affected, so far as regards the third person, by an arrangement between the two, that one of them shall be liable only upon the default of the other, even although such arrangement may have been known to the third person, unless he was a party to the arrangement.

Liability of two persons primarily liable, not affected by a private arrangement as to suretyship.

Illustration.

A. and B. make a joint and several promissory note to C. A. makes it, in fact, as surety for B., and C. knows this at the time when the note is made. In a suit by C. against A. upon the note, the fact that A. made it as surety for B. and that C. knew it, is no answer to the suit.

Discharge of surety by variance in terms of agreement.

126. Any variance made without the surety's consent, in the terms of the original agreement, discharges the surety as to future transactions.

Illustrations.

(a.) A. becomes surety to C. for B.'s conduct as a manager in C.'s bank. Afterwards, B. and C. agree, without A.'s consent, that B.'s salary shall be raised, and that he shall become liable to one-fourth of the losses on discounts. B. allows a customer to overdraw, and the bank loses a sum of money. A. is discharged from his suretyship by the variance made, without his consent, and is not liable to make good this loss.

(b.) A. guarantees C. against the misconduct of B. in an office to which he is appointed by C., and of which the duties are defined by an Act of the Legislature. By a subsequent Act the nature of the office is materially altered. Afterwards, B. misconducts himself. A. is discharged from future liability under his guarantee by the change, though the misconduct of B. is in respect of a duty not affected by the later Act.

(c.) C. agrees to appoint B. as his clerk to sell coals at a yearly salary of 100 £, upon A.'s becoming surety to C. for B.'s duly accounting for monies received by him as such clerk. Afterwards, without A.'s knowledge or consent, C. and B. agree that B. should be paid by a commission of 6d. per ton on the coal sold by him instead of by the fixed salary. A. is not liable for subsequent misconduct of B.

(d.) A. gives to C. a continuing guarantee to the extent of 3,000 rupees for any oil supplied by C. to B. on credit. Afterwards, B. becomes embarrassed, and, without the knowledge of A., B. and C. agree that C. should continue to supply B. with oil for ready money, and that the payments should be applied to the then existing debts between B. and C. A. is not liable on his guarantee for any goods supplied after this new arrangement.

(e.) A., as surety for B., gives to C. a promissory note for 5,000 rupees upon an agreement that the 5,000 rupees should be paid by C. to B. "by draft at three months' date." C., without A.'s knowledge, pays the 5,000 rupees to B. at once, instead of giving a draft. A. is discharged from liability, as the agreement has been varied, and C. might sue B. for the money before the expiration of three months.

Discharge of surety by release or discharge of principal debtor.

127. The surety is discharged by any agreement between the creditor and the principal debtor, by which the principal is released, or by any act or omission of the creditor, the legal consequence of which is the discharge of the principal debtor.

Illustrations.

(a.) A. gives a guarantee to C. for goods to be supplied by C. to B. C. supplies goods to B., and afterwards B. becomes embarrassed, and agrees with his creditors (including C.) to assign to them his property, in consideration of their releasing him from their demands. Here B. is released from his debt by agreement with C., and A. is discharged from his suretyship.

(b.) A. agrees with B. to grow a crop of indigo on A.'s land, and to deliver it to B. at a fixed rate, and C. guarantees A.'s performance of this agreement. B. diverts a stream of water which is necessary for the irrigation of A.'s land, and thereby prevents him from raising the indigo. C. is no longer liable on his guarantee.

(c.) A. agrees with B., for a fixed price, to build a house for B. within a stipulated time, B. supplying the necessary timber. C. guarantees A.'s performance of the contract. B. omits to supply the timber. C. is discharged from his suretyship.

Discharge of surety when creditor compounds with, gives time to, or agrees not to sue principal debtor.

128. An agreement between the creditor and the principal debtor, by which the creditor makes a composition with, or agrees to give time to, or not to sue, the principal debtor, discharges the surety.

Illustrations.

(a.) C., the holder of an overdue bill of exchange drawn by A. as surety for B., and accepted by B., binds himself by a valid agreement with B. to give time to B., A. not assenting to the agreement. A. is discharged from liability on the bill.

(b.) C., to whom B. owes a debt guaranteed by A., binds himself by agreement with B. not to sue B., and to accept four annas in the rupee in respect of B.'s debts. A. assents to the arrangement. A. is not discharged, and is liable to C. for the whole debt.

Agreement to give time to principal debtor made with a third person.

129. Where an agreement to give time to the principal debtor is made by the creditor with a third person, and not with the principal debtor, the surety is not discharged.

Illustration.

C., the holder of an overdue bill of exchange, drawn by A. as surety for B., and accepted by B., binds himself by a valid agreement with M. to give time to B. A. has no knowledge of this agreement. A. is not discharged.

Creditor's forbearance to sue.

130. Mere forbearance on the part of the creditor to sue the principal debtor, or to enforce any other remedy against him, does not, in the absence of any provision in the guarantee to the contrary, discharge the surety.

Illustration.

B. owes to C. a debt guaranteed by A. The debt becomes payable. C. does not sue B. for a year after the debt has become payable. A. is not discharged from his suretyship.

Release of one co-surety.

131. Where there are co-sureties, a release by the creditor of one of them does not discharge the others; neither does it free that one from any responsibility to the others.

Discharge of surety by creditor's act or omission impairing surety's eventual remedy.

132. If the creditor does any act which is inconsistent with the rights of the surety, or omits to do any act which his duty to the surety requires him to do, and the eventual remedy of the surety himself against the principal debtor is thereby impaired, the surety is discharged.

Illustrations.

(a.) B. agrees to build a ship for C. for a given sum, to be paid by instalments as the work reaches certain stages. A. becomes surety to C. for B.'s due performance of the agreement. C., without the knowledge of A., prepays to B. the last two instalments. A. is discharged by this payment.

(b.) B. agrees with C. to complete certain fittings in C.'s warehouse for 8,000 rupees, C. stipulating to insure, from time to time, the fittings from fire, and to deduct the costs of the insurance from the 8,000 rupees. A., knowing of this agreement, guarantees B.'s due performance of the work. C. never insures, and fittings to the value of 7,000 rupees are destroyed by the fire at B.'s shop. B. becomes insolvent, and it costs

costs C. 9,000 rupees to complete the work. A. is discharged by C.'s omission to insure, not merely to the extent of the benefit he would have derived from the insurance if it had been effected, but altogether.

(c.) C. lends money to B. on the security of a joint and several promissory note made in C.'s favour by B. and by A. as surety for B., together with a bill of sale of B.'s furniture, which gives power to C. to sell the furniture, and apply the proceeds in satisfaction of the monies due on the note. Subsequently C. sells the furniture, but, owing to his misconduct and wilful negligence, only a small price is realised. A. is discharged from liability on the note.

(d.) A. puts M. as apprentice to B., and gives a guarantee to B. for M.'s fidelity. B. covenants on his part that he will, at least once a month, see M. make up the cash. B. omits to see this done as agreed, and M. embezzles. A. is not liable to B. on his guarantee.

133. Where a guaranteed debt has become due, or default of the principal debtor to perform a guaranteed duty has taken place, the surety, upon payment or performance of all that he is liable for, is invested with all the rights which the creditor had against the principal debtor.

Rights of surety on payment or performance.

134. A surety is entitled to the benefit of every security which the creditor has against the principal debtor at the time the contract is entered into, whether the surety knows or does not know of the existence of such security; and if the creditor loses, or, without the consent of the surety, parts with such security, the surety is discharged to the extent of the value of the security.

Surety's right to benefit of creditor's securities.

Illustrations.

(a.) C. advances to B., his tenant, 2,000 rupees on the guarantee of A. C. has also further security for the 2,000 rupees by a mortgage of B.'s furniture. C. cancels the mortgage. B. becomes insolvent, and C. sues A. on his guarantee. A. is discharged from liability to the amount of the value of the furniture.

(b.) C., a creditor, whose advance to B. is secured by a decree, receives also a guarantee for that advance from A. C. afterwards takes B.'s goods in execution under the decree, and then, without the knowledge of A., withdraws the execution. A. is discharged.

(c.) A., as surety for B., makes a bond jointly with B. to C. to secure a loan from C. to B. After the date of this transaction, C. obtains from B. a further security for the same debt. Subsequently C. gives up the further security. A. is not discharged.

135. Any guarantee which has been obtained by means of misrepresentation made by the creditor, or with his knowledge and assent, concerning a material part of the transaction, is invalid.

Guarantee obtained by misrepresentation.

Illustrations.

(a.) B. owes C. 800*l*. C. agrees to advance B. 2,000*l*. on his obtaining a surety for that amount. It is also agreed between B. and C. that the 800*l*. should be deducted from that sum. The agreement, which is in writing, states that C. had agreed to advance B. 2,000*l*., and that the 800*l*. had been repaid. This agreement is read to A. in C.'s presence, but nothing more is said, when A. gives a promissory note for 2,000*l*. as surety for B. A. is discharged from liability on the note, as there is a false representation to A. that the 800*l*. had been paid, and that the whole sum of 2,000*l*. was to be advanced to B.

(b.) C. represents to A. that he is liable to D. for 3,000 rupees as surety for A. and B. A. thereupon concurs as surety in a mortgage security given by B. in order to indemnify C. C., in fact, was not liable to D. as alleged. A. is not bound by the security.

136. Any guarantee which the creditor has obtained by means of the concealment of a material circumstance, is invalid.

Guarantee obtained by concealment.

Illustrations.

(a.) A. engages B. as clerk to collect money for him. B. fails to account for some of his receipts, and A. in consequence calls upon him to furnish security for his duly accounting. C. gave his guarantee for B.'s duly accounting. A. does not acquaint C. with B.'s previous conduct. B. afterwards makes default. The guarantee is invalid.

(b.) A. guarantees to C. payment for iron to be supplied by him to B. to the amount of 2,000 tons. B. and C. have privately agreed that B. should pay 5 rupees per ton beyond the market price, such excess to be applied in liquidation of an old debt. This agreement is concealed from A. A. is not liable as a surety.

137. Where a person gives a guarantee upon an agreement that the creditor shall not act upon it until another person has joined in it as co-surety, the guarantee is not valid if that other person does not join.

Guarantee on agreement that creditors shall not act on it until co-surety joins.

138. In every contract of guarantee there is an implied agreement by the principal debtor to indemnify the surety, and the surety is entitled to recover from the principal debtor whatever sum he has rightfully paid under the guarantee.

Implied agreement to indemnify surety.

Illustrations.

(a.) B. is indebted to C., and A. is surety for his debt. C. demands payment from A., and on his refusal sues him for the amount. A. defends the suit, at the request of B., having reasonable grounds for doing so, but he is compelled to pay the amount of the debt with costs. He can recover from B. the amount paid by him for costs, as well as the principal debt.

(b.) C. lends B. a sum of money, and A., at the request of B., accepts a bill of exchange drawn by B. upon A. to secure the amount. C., the holder of the bill, demands payment of it from A., and on A.'s refusal to pay sues A. upon the bill. A. defends the suit, and has to pay the amount of the bill and costs. He can recover from B. the amount of the bill, but not the sum paid for costs, as there was no real ground for defending the action.

(c.) A. guarantees to C. to the extent of 2,000 rupees, payment of rice to be supplied by C. to B. C. supplies to B. rice to a less amount than 2,000 rupees, but obtains from A. payment of the sum of 2,000 rupees in respect of the rice supplied. A. cannot recover from B. more than the price of the rice actually supplied.

139. Where two or more persons or co-sureties for the same debt or duty either jointly or severally, and whether under the same or different agreements, and whether with or without the knowledge of each other, the co-sureties, in the absence of any agreement to the contrary, are liable as between themselves to pay each an equal share of the whole debt, or of that part of it which remains unpaid by the principal debtor.

Co-sureties liable to contribute equally.

Illustrations.

(a.) A., B., and C. are sureties to D. for the sum of 3,000 rupees lent to E. E. makes default in payment. A., B., and C. are liable as between themselves to pay 1,000 rupees each.

(b.) A., B., and C. are sureties to D. for the sum of 1,000 rupees lent to E., and it is arranged between A., B., C., and E. that A. is to be responsible to the extent of one quarter, B. to the extent of one-quarter, and C. to the extent of one-half. E. makes default in payment. As between the sureties, A. is liable to pay 250 rupees, B. 250 rupees, and C. 500 rupees.

Liability of co-sureties bound in different sums.

140. Co-sureties who are bound in different sums are liable to pay equally as far as the limits of their respective obligations permit.

Illustrations.

(a.) A., B., and C., as sureties for D., enter into three several bonds, each in a different penalty, viz., A. in the penalty of 10,000 rupees, B. in that of 20,000 rupees, C. in that of 40,000 rupees, conditioned for D.'s duly accounting to E. D. makes default to the extent of 30,000 rupees. A., B., and C. are each liable to pay 10,000 rupees.

(b.) A., B., and C., as sureties for D., enter into three several bonds, each in a different penalty, viz., A. in the penalty of 10,000 rupees, B. in that of 20,000 rupees, C. in that of 40,000 rupees, conditioned for D.'s duly accounting to E. D. makes default to the extent of 40,000 rupees. A. is liable to pay 10,000 rupees, and B. and C. 15,000 rupees each.

(c.) A., B., and C., as sureties for D., enter into three several bonds, each in a different penalty, viz., A. in the penalty of 10,000 rupees, B. in that of 20,000 rupees, C. in that of 40,000 rupees, conditioned for D.'s duly accounting to E. D. makes default to the extent of 70,000 rupees. Each has to pay the full penalty of his bond.

PART VI.—OF BAILMENT.

"Bailment," "bailor," and "bailee" defined.

141. THE delivery of goods by one person to another for some purpose, upon an agreement that they shall be delivered by the latter back to or according to the directions of the former when the purpose shall have been accomplished, is called a bailment. The person delivering the goods is called the bailor. The person to whom they are delivered is called the bailee.

Delivery to bailee, how made.

142. The delivery to the bailee may be made by doing anything which has the effect of putting the goods in the possession of the intended bailee, or of any person authorized to hold them on his behalf.

Bailor's duty to disclose faults in goods bailed.

143. The bailor is bound to disclose to the bailee faults in the goods bailed of which the bailor is aware, and which materially interfere with the use of them, or expose the bailee to extraordinary risks; and if he does not make such disclosure, he is responsible for damage arising to the bailee directly from such faults.

Illustration.

A. lends a horse to B. which he knows to be vicious. He does not disclose the fact that the horse is vicious. The horse runs away. B. is thrown and injured. A. is responsible to B. for damage sustained.

Care to be taken by bailee.

144. In all cases of bailment the bailee is bound to take as much care of the goods bailed to him as a man of ordinary prudence would, under similar circumstances, take of his own goods of the same bulk, quality and value of the goods bailed.

Bailee when not liable for loss, &c. of thing bailed.

145. The bailee, in the absence of any agreement to the contrary, is not responsible for the loss, destruction, or deterioration of the thing bailed if not caused by his fault.

Termination of bailment by bailee's act inconsistent with conditions.

146. If the bailee does any act with regard to the goods bailed which is inconsistent with the conditions of the bailment, such act is, at the option of the bailor, a termination of the bailment.

Illustration.

A. lets to B. for hire a horse for his own riding. B. drives the horse in his carriage. This is at the option of A., a termination of the bailment.

Liability of bailee making unauthorised use of goods bailed.

147. If the bailee makes any use of the goods bailed which is not according to the conditions of the bailment, he is liable to make compensation to the bailor for any damage arising to the goods from or during such use of them.

Illustrations.

(a.) A. lent a horse to B. for his own riding only. B. allowed C., a member of his family, to ride the horse. C. rode with care, but the horse accidentally fell and was injured. B. is liable to make compensation to A. for the injury done to the horse.

(b.) A. hired a horse in Calcutta from B. to ride to Benares. A. rode with due care, but rode to Cuttack instead. The horse accidentally fell and was injured. A. is liable to make compensation to B. for the injury to the horse.

Mixture of Goods bailed.

Mixture, with bailor's consent, of his goods with goods of bailee.

148. If the bailee, with the consent of the bailor, mixes the goods of the bailor with his own goods, the bailor and the bailee shall have an interest in proportion to their respective shares in the mixture thus produced.

Mixture, without bailor's consent, when the goods can be separated.

149. If the bailee, without the consent of the bailor, mixes the goods of the bailor with his own goods, and the goods can be separated, the property in the goods remains in the parties

parties respectively, but the bailee is bound to bear the expense of separation, and any damage arising from the mixture.

150. If the bailee, without the consent of the bailor, mixes the goods of the bailor with his own goods so that it is impossible to separate the goods bailed from the other goods, and deliver them back, the bailor is entitled to be compensated by the bailee for the loss of the goods.

Mixture, without bailor's consent, when the goods cannot be separated.

151. Where by the conditions of the bailment the goods are to be kept or to be carried, or to have work done upon them by the bailee for the bailor, and the bailee is to receive no remuneration, the bailor shall re-pay to the bailee the necessary expenses incurred by him for the purpose of the bailment.

Re-payment by bailor of necessary expenses.

152. Where the bailment is gratuitous, the bailor is entitled at any time, upon reasonable notice, to the restoration of the goods bailed.

Restoration of goods bailed gratuitously.

153. The bailee must return the goods bailed without demand as soon as the time for which they were bailed has expired, or the purpose for which they were bailed has been accomplished.

Return of goods bailed on expiration of time or accomplishment of purpose.

154. If by the fault of the bailee the goods are not delivered or tendered at the proper time, he is responsible to the bailor for any loss, destruction, or deterioration of the goods from that time.

Bailee's responsibility when goods are not duly delivered or tendered.

155. The bailment, where gratuitous, is terminated by the death either of the bailor or of the bailee.

Termination of gratuitous bailment by death.

156. In the absence of any agreement to the contrary, the bailee is bound to deliver to the bailor, or according to his directions, any increase or profit which may have accrued from the goods bailed.

Increase or profit from goods bailed.

Illustration.

A. leaves a cow in the custody of B., who takes care of it gratuitously. The cow has a calf. B. is bound to deliver the calf as well as the cow to A.

157. The bailor is responsible to the bailee for any loss which he may sustain by reason that the bailor was not entitled to make the bailment, or to receive back the goods, or to give directions respecting them.

Bailor's responsibility to bailee.

158. If several joint owners of goods bail them, the bailee may deliver them back to, or according to the directions of one joint owner without the consent of all, in the absence of any agreement to the contrary.

Bailment by several joint owners.

159. If the bailor has no title to the goods, and the bailee delivers them back to, or according to the directions of the bailor, the bailee is not responsible to the owner in respect of such delivery.

Re-delivery to bailee who has no title.

160. If a third person claims goods bailed, he may apply to the Court to stop the delivery of the goods to the bailor, and to decide the title to the goods.

Right of third person claiming goods bailed.

161. The finder of goods has no right to sue the owner for compensation for trouble and expense voluntarily incurred by him to preserve the goods and to find out the owner, but he has a right to retain the goods against the owner until he receives such compensation; and where the owner offers a specific reward for the return of goods lost, the finder has a right to retain them until he receives the reward.

Right of finder of goods.

162. Where the bailee has, in accordance with the purpose of the bailment, rendered any service involving the exercise of labour or skill on the goods bailed, he has, in the absence of any agreement to the contrary, a right to retain the goods until he receives remuneration for the services he has rendered in respect of them.

Bailee's particular lien.

Illustrations.

(a.) A. delivers a rough diamond to B., a jeweller, to be cut and polished, which is accordingly done. B. is entitled to retain the stone till he is paid for the services he has rendered.

(b.) A. gave some cloth to B., a tailor, to make into a coat. A. agreed with B. that the coat should be delivered as soon as it was finished, and that three months' credit should be given for the price. B. is not entitled to retain the coat until he is paid.

163. In the absence of any agreement to the contrary, bankers, factors, and wharfingers have no right to retain the goods bailed to them as a security for a general balance of account.

Banker's, factors, and wharfingers have no general lien.

Pledge.

164. The bailment of goods as security for payment of a debt or performance of an engagement is called pledge. The bailor is in this case called the pawnor. The bailee is called the pawnee.

"Pledge," "pawnor," and "pawnee" defined.

165. The pawnee may retain the goods pledged, not only for payment of the debt or the performance of engagement, but for the interest of the debt, and all necessary expenses incurred by him in respect of the possession, or for the preservation of the goods pledged.

Pawnee's right of retainer.

In case of subsequent advances.

166. The pawnee shall not retain the goods pledged for any other debt or engagement than the debt or engagement for which they are delivered, except by agreement between the parties; but such agreement, in the absence of anything to the contrary, will be presumed in regard to subsequent advances made by the pawnee.

Extraordinary expenses incurred by pawnee.

167. The pawnee is entitled to receive from the pawnor extraordinary expenses incurred by him for the preservation of the goods pledged.

Pawnee's right where pawnor makes default.

168. If the pawnor makes default in payment of the debt or performance of the engagement at the stipulated time, the pawnee may bring a suit against the pawnor upon the debt or engagement, and retain the goods pledged as a collateral security, or may sell the thing pledged on giving the pawnor reasonable notice of the sale. If the proceeds of the sale are less than the amount due in respect of the debt or engagement, the pawnor is still liable to pay the balance. If the proceeds of the sale are greater than the amount so due, the pawnee shall pay over the surplus to the pawnor.

Defaulting pawnor's right to redeem.

169. If a time is stipulated for the payment of the debt or performance of the engagement for which the pledge is made, and the pawnor makes default in payment of the debt or performance of the engagement at the stipulated time, he may redeem the goods pledged at any time before the actual sale of them.

Pledge by possessor of documentary title to goods.

170. A person who is in possession of goods, or of any bill of lading, dock-warrant, warehouse-keeper's certificate, warrant or order for delivery, or any other document of title to goods, may make a valid pledge of such goods, or documents: provided that the pawnee acts in good faith and under circumstances which are not such as to raise a reasonable presumption that the pawnor is acting improperly.

Pledge where pledger has only a limited interest.

171. Where a person pledges goods in which he has only a limited interest, the pledge is valid to the extent of that interest.

Suits against wrong-doers.

Suits by bailor or bailee against wrong-doers.

172. If a third person wrongfully deprives the bailee of the use or possession of the goods bailed, or does them any injury, the bailee is entitled to use such remedies as the owner might use in the like case if no bailment had been made, and either the bailor or the bailee may bring a suit against a third person for such deprivation or injury.

Apportionment of proceeds of such suits.

173. Whatever is obtained by way of relief or compensation in any such suit, shall, as between the bailor and the bailee, be dealt with according to their respective interests.

PART VII.—OF AGENCY.

"Agent" and "principal" defined.

174. An agent is a person employed to do any act for another, or to represent another in dealings with third persons. The person for whom the act is done, or who is so represented, is called the principal.

Who may be a principal.

175. Any person who is of the age of majority according to the law to which he is subject, and who is of sound mind, may employ an agent.

Who may be an agent.

176. As between the principal and third persons, any person may become an agent; but no person who is not of the age of majority and of sound mind can become an agent, so as to be responsible to his principal, according to the provisions in that behalf herein contained.

Agency created without consideration.
Agent's authority may be expressed or implied.
Definitions of expressed and implied authority.

177. No consideration is necessary to create an agency.

178. The authority of an agent may be expressed or implied.

179. An authority is said to be expressed when it is given by words spoken or written. An authority is said to be implied when it is to be inferred from the circumstances of the case; and things spoken or written, or the ordinary course of dealing may be accounted circumstances of the case.

Illustration.

A. owns a shop in Serampore, living himself in Calcutta, and visiting the shop occasionally. The shop is managed by B., and he is in the habit of ordering goods from C. in the name of A. for the purposes of the shop, and of paying for them out of A.'s funds with A.'s knowledge. B. has an implied authority from A. to order goods from C. in the name of A. for the purposes of the shop.

Extent of agent's authority.

180. An agent having an authority to do any act, has authority to do every lawful thing which is necessary in order to do such act; and an agent having an authority to carry on any business, has authority to do every lawful thing necessary for the purpose of or usually done in the course of conducting such business.

Illustrations.

(a) A. is employed by B., residing in London, to recover at Bombay a debt due to B. A. may adopt any legal process necessary for the purpose of recovering the debt, and may give a valid discharge for the same.

(b.) A. constitutes B. his agent to carry on his business of a ship-builder. B. may purchase timber and other materials, and hire workmen for the purpose of carrying on the business.

Agent's authority in an emergency.

181. An agent has authority in an emergency to do all such acts for the purpose of protecting his principal from loss as would be done by a person of ordinary prudence in his own case under similar circumstances.

Illustrations.

Illustrations.

- (a.) A. ship is driven on shore. The master has authority to hire men and boats to get her off, and to incur all necessary expenses for re-fitting her.
 (b.) A. consigns provisions to B. at Calcutta, with directions to send them immediately to C. at Cuttack. B. may sell the provisions at Calcutta, if they will not bear the journey without spoiling.

182. Contracts entered into through an agent, and obligations arising from acts done by an agent, may be enforced in the same manner, and will have the same legal consequences as if the contracts had been entered into and the acts done by the principal in person.

Enforcement and consequences of agent's contracts.

Illustrations.

- (a.) A. buys goods from B., knowing that he is an agent for their sale, but not knowing who is the principal. B.'s principal is the person entitled to claim from A. the price of the goods, and A. cannot set off against that claim a debt due to himself from B.
 (b.) A. being B.'s agent, with authority to receive money on his behalf, receives from C. a sum of money due to B. C. is discharged of his obligation to pay the sum in question to B.

183. Where an agent does more than he is authorised to do, what he does within the scope of his authority, if it can be separated from what is beyond that scope, is binding as between the principal and the agent; the rest not.

Principal, how far bound when agent exceeds authority.

Illustration.

A., being owner of a ship and cargo, authorises B. to procure an insurance for 4,000 rupees on the ship. B. procures a policy for 4,000 rupees on the ship, and another for the like sum on the cargo. A. is bound to pay the premium for the policy on the ship, but not the premium for the policy on the cargo.

184. Where an agent does more than he is authorised to do, and what he does beyond the scope of his authority cannot be separated from what is within it, the whole is void as against the principal.

When excess of agent's authority is not separable.

Illustration.

A. authorises B. to buy 500 sheep for him. B. buys 500 sheep and 200 lambs for one sum of 6,000 rupees. The whole transaction is void as against A.

185. A sub-agent is a person employed by and acting under the control of the original agent in the business of the agency.

"Sub-agent" defined.

186. An agent cannot lawfully employ another to perform acts which he has expressly or impliedly undertaken to perform personally.

When agent cannot delegate.

187. Where a sub-agent is properly appointed, the principal is, so far as regards third persons, represented by the sub-agent, and is bound by and responsible for his acts, as if he were an agent originally appointed by the principal. The agent is responsible to the principal for the acts of the sub-agent, the sub-agent is responsible for his acts to the agent but not to the principal, except in cases of fraud or wilful wrong.

Representation of principal by sub-agent properly appointed. Agent's responsibility for sub-agent. Sub-agent's responsibility.

188. Where an agent has appointed a person to act as a sub-agent without having authority to do so, the agent stands towards that person in relation of a principal to an agent, and is responsible for his acts both to the principal and to third persons, and the principal is not represented by or responsible for the acts of the person so employed, nor is that person responsible to the principal.

Agent's responsibility for sub-agent appointed without authority.

189. Where an agent, holding an express or implied authority to name another person to act for the principal in the business of the agency, has named another person accordingly; such person is not a sub-agent, but an agent of the principal for such part of the business of the agency as is entrusted to him.

Relation to principal of person named by agent authorised to name another to act for principal.

Illustrations.

- (a.) A. directs B., his solicitor, to sell his estate by auction, and to employ an auctioneer for the purpose. B. names C., an auctioneer, to conduct the sale. C. is not a sub-agent, but is A.'s agent for the conduct of the sale.
 (b.) A., a merchant in Calcutta, consigns goods to B., a merchant in London, and directs him to sell the goods. B. appoints C., a broker, to sell the goods for A. C. is not a sub-agent, but is agent for A.
 (c.) A. appoints B., a merchant in Calcutta, his attorney, for the purpose of recovering the monies due to A. from C. and Co. B. instructs D., a solicitor, to take legal proceedings against C. and Co. for the recovery of the money. D. is not a sub-agent, but is solicitor for A.

190. In selecting such agent for his principal, an agent is bound to exercise the same amount of discretion as a man of ordinary prudence would exercise in his own case, and if he does this he will not be responsible to the principal for the acts or negligence of the agent so selected.

Agent's duty in naming such person.

Illustrations.

- (a.) A. directs B. to buy and ship a cargo of indigo for him, and to have the cargo properly insured. B. employs an insurance broker of good reputation, who effects an insurance on the cargo. The ship, having the cargo on board, is lost; but owing to the omission of some usual stipulations in the policy of insurance, the underwriters refuse to pay the sum insured. B. is not responsible to A. for the loss, but the insurance broker is.
 (b.) B., the agent of A., employs an auctioneer in good credit to sell goods of A., and allows the auctioneer to receive the proceeds of the sale. The auctioneer afterwards becomes insolvent, without having accounted for the proceeds. B. is not responsible to A. for the proceeds.

191. An agent is bound to conduct the business of his principal according to the directions given by the principal, or, in the absence of any such directions, according to the custom

Agent's duty in conducting principal's business.

custom which prevails in doing business of the same kind. When the agent adopts a different course, if any loss be sustained, he must make it good to his principal, and if any profit accrues he must account for it.

Illustrations.

(a.) A, an agent engaged in carrying on for B. a business in which it is the custom to invest from time to time at interest the monies which may be in hand, omits to make such investment. A. must make good to the principal the interest usually obtained by such investments.

(b.) B., a broker, in whose business it is not the custom to sell on credit, sells goods of A. on credit to C., whose credit at the time was very high. C., before payment, becomes insolvent. B. must make good the loss to A.

Skill and diligence
required from agent.

192. An agent is bound to conduct the business of the agency with as much skill as is generally possessed by persons engaged in similar business, unless the principal has notice of his want of skill. The agent is always bound to act with diligence, and to use such skill as he possesses; and to make compensation to his principal in respect of the direct consequences of his own neglect, want of skill, or misconduct, but not in respect of loss or damage which are indirectly or remotely caused by such neglect, want of skill, or misconduct.

Illustrations.

(a.) A., a merchant in Calcutta, has an agent B. in London, to whom a large sum of money is paid on A.'s account. B. improperly retains the money for a considerable time. A., in consequence of not receiving the money, becomes insolvent. B. is liable for the money and interest from the day on which it ought to have been paid, according to the usual rate, but not further.

(b.) A., an agent for the sale of goods, having authority to sell on credit, sells to B., on credit, without making the proper and usual inquiries as to the solvency of B. B., at the time of such sale, is insolvent. A. must make compensation to his principal in respect of any loss thereby sustained.

(c.) A., an insurance broker employed by B. to effect an insurance on a ship, omits to see that the usual clauses are inserted in the policy. The ship is afterwards lost. In consequence of the omission of the clauses nothing can be recovered from the underwriters. A. is bound to make good the loss to B.

(d.) A., a merchant in England, directs B., his agent at Bombay, to send him 100 bales of cotton by a certain ship. B., having it in his power to send the cotton, omits to do so. The ship arrives safely in England. Soon after her arrival the price of cotton rises. B. is bound to make good to A. the profit which he might have made by the 100 bales of cotton at the time the ship arrived, but not any profit he might have made by the subsequent rise.

Agent's accounts.

193. An agent is bound to render proper accounts to his principal on demand.

Agent's duty to
communicate with
principal.

194. It is the duty of an agent in cases of difficulty to use all reasonable diligence in communicating with his principal, and in seeking to obtain his instructions.

Agent dealing on his
own account in busi-
ness of agency without
principal's consent.

195. If a person who is an agent deals on his own account in the business of the agency without first obtaining the consent of the principal, and acquainting him with all material circumstances which have come to his own knowledge on the subject, the principal is at liberty, on discovering such circumstances, either to adopt or to repudiate the transaction.

Illustrations.

(a.) A. directs B. to sell A.'s estate. B. buys the estate for himself in the name of C. A., on discovering that B. has bought the estate for himself, may either repudiate or adopt the sale at his option.

(b.) A. directs B. to sell A.'s estate. B. on looking at the estate before selling it, finds a mine on the estate which is unknown to A. B. informs A. that he wishes to buy the estate for himself, but conceals the discovery of the mine. A. allows B. to buy, in ignorance of the existence of the mine. A., on discovering that B. knew of the mine at the time he bought the estate, may either repudiate or adopt the sale at his option.

Agent dealing on his
own account with
principal in business of
agency, not entitled to
remuneration.

196. An agent dealing on his own account with his principal in the business of the agency is not entitled to any remuneration as agent, notwithstanding that the principal adopts the transaction.

Illustration.

A. agrees that if B. will find a purchaser for his land in Bombay at two rupees a yard, A. will give B. five per cent. commission. B. afterwards buys on his own account, and A. adopts the contract. B. is not entitled to any commission.

Principal's right to
benefit gained by agent
dealing on his own
account in business of
agency.

197. If an agent without the knowledge of his principal deals in the business of the agency on his own account instead of on account of his principal, the principal is entitled to claim from the agent any benefit which may have resulted to him from the transaction.

Illustration.

A. directs B. to buy a certain house for him. B. tells A. it cannot be bought, and buys the house for himself. A. may, on discovering that B. has bought the house, compel him to sell it to A. at the price he gave for it.

Agent's right of retainer
out of sums received
on principal's account.

198. An agent may retain, out of any sums received on account of the principal in the business of the agency, all monies due to himself in respect of advances made or expenses incurred by him in conducting such business, and also such remuneration as may be payable to him for acting as agent.

Agent's duty to pay
sums received for
principal.

199. Subject to such deductions, the agent is bound to pay to his principal all sums received on his account.

200. In the absence of any agreement to the contrary, remuneration in respect of the performance of any act is not due to the agent until the completion of such act. When agent's remuneration becomes due.
201. An agent who is guilty of gross misconduct in the business of the agency, is not entitled to any remuneration in respect of that part of the business which has been so misconducted. Misconduct disentitles agent to remuneration.

Illustrations.

- (a.) A. employs B. to recover 1,00,000 rupees from C. and lay it out on good security. B. recovers the 1,00,000 rupees and lays out 90,000 rupees on good security, but lays out 10,000 rupees on insufficient security, whereby A. loses 2,000 rupees. B. is entitled to remuneration for recovering the 1,00,000 rupees, and for investing the 90,000 rupees. He is not entitled to any remuneration for investing the 10,000 rupees, and he must make good the 2,000 rupees to B.
- (b.) A. employs B. to recover 1,000 rupees from C. Through B's misconduct the money is not received. B. is entitled to no remuneration for his services, and must make good the loss.

202. In the absence of any agreement to the contrary, an agent is entitled to retain goods, papers, and other property of the principal received by him, until the amount due to himself for commission, disbursements, and services in respect of the same has been paid or accounted for to him. Agent's lien on principal's goods and papers.

Ratification.

203. Where acts are done by one person on behalf of another, but without his knowledge, he may elect to ratify or to disown such acts. If he ratify them, the same effects will follow as if they had been performed by his authority. Effect of ratification.
204. Ratification may be expressed or may be implied in the conduct of the person on whose behalf the acts are done. Ratification may be expressed or implied.

Illustration.

- A. without authority buys goods for B. Afterwards B. sells them to C. on his own account. B's conduct implies a ratification of the purchase made for him by A.

205. No valid ratification can be made by a person whose knowledge of the facts of the case is materially defective. Knowledge requisite to valid ratification.
206. A person ratifying any unauthorised act done on his behalf ratifies the whole of the transaction of which such act formed a part. Effect of ratifying unauthorised act forming part of a transaction.
207. An act done without authority, which, if done with authority, would have the effect of subjecting a third person to damage or of terminating any right or interest of a third person, cannot by ratification be made to have such effect. Ratification of unauthorised act cannot injure third person.

Illustrations.

- (a.) A., an unauthorized person, requires on account of B., the owner of a chattel, the delivery of the chattel to B. This demand cannot be ratified by B. so as to make the holder liable for damages for default.
- (b.) A. holds a lease from B. terminable on three months' notice. C., an unauthorised person, gives notice of termination to A. The notice cannot be ratified so as to be binding on A.

208. Any notice given to or information obtained by the agent, provided it be given or obtained in the course of the business transacted by him for the principal, shall, as between the principal and third parties, have the same legal consequence as if it had been given to or obtained by the principal. Consequences of notice given to agent.

Illustrations.

- (a.) A. is employed by B. to buy certain goods from C., and buys them accordingly. In the course of the treaty for the sale A. learns that the goods really belonged to D., but B. is ignorant of that fact. B. is not entitled to set off a debt owing to him from C. against the price of the goods.
- (b.) A. is employed by B. to buy goods from C. A. was, before he was so employed, a servant of C., and then learnt that the goods really belonged to D., but B. is ignorant of that fact. In spite of the knowledge of his agent, B. may set off against the price of the goods a debt owing to him from C.

209. In the absence of any agreement to the contrary, an agent cannot personally enforce contracts entered into by him on behalf of his principal, nor is he personally bound by them. Agent cannot personally enforce nor be bound by contracts on behalf of principal.

Explanation.—Such an agreement may be implied in the following cases :—

- (1.) Where the contract is made by an agent for the sale or purchase of goods for a merchant resident abroad.
- (2.) Where the agent does not disclose the name of his principal.
- (3.) Where the principal, though disclosed, cannot be sued.

210. Where one man enters into an engagement by contract with another, having no knowledge or reasonable ground of suspicion that the other is an agent, the principal, if he requires the performance of the engagement, can only obtain it, subject to the rights and obligations subsisting between the agent and the other party to the contract. Performance of contract with agent supposed to be principal.

Illustration.

A., who owes 500 rupees to B., sells 1,000 rupees' worth of rice to B. A. is acting as agent for C. in the transaction, but B. has no knowledge nor reasonable ground of suspicion that such is the case. C. cannot compel B. to take the rice without allowing him to set off A.'s debt.

Principal's liability where agent personally liable.

211. In cases where the agent is personally liable, a person dealing with him may hold either him or his principal, or both of them, liable.

Illustration.

A. enters into a contract with B. to sell him 100 bales of cotton, and afterwards discovers that B. was acting as agent for C. A. may sue either B. or C., or both, for the price of the cotton.

Consequence of inducing agent or principal to act on belief that principal or agent will be held exclusively liable.

212. A person who enters into a contract with an agent, if he afterwards induces the agent to do any act in the belief that the principal will be held exclusively liable on the contract, cannot hold the agent liable; and in like manner if he induces the principal to do any act in the belief that the agent will be held exclusively liable, he cannot hold the principal liable.

Illustration.

A., in Bombay, agrees as agent for B., a merchant in London, to buy 100 bales of cotton from C. C. intimates to B. that he intends to hold A. exclusively liable for the price of the cotton, and B. relying upon this intimation settles his account with A., giving A. credit for the price of the cotton. A. afterwards becomes bankrupt without having paid the price of the cotton to C. C. cannot hold B. liable for the price of the cotton.

Liability of pretended agent.

213. A person untruly representing himself to be the authorised agent of another, and thereby inducing a third person to deal with him as such agent, is liable, if his supposed employer does not ratify his acts, to make compensation to the other, according to the rules laid down in the chapter on contracts, section 50, in respect of any loss or damage which he has incurred by so dealing.

Person falsely contracting as agent, not entitled to performance.

214. A person with whom a contract has been entered into in the character of agent is not entitled to require the performance of it, if he was in reality acting not as agent, but on his own account.

Liability of principal inducing belief that agent's unauthorized acts were authorized.

215. When an agent has without authority done acts or incurred obligations to third persons on behalf of his principal, the principal is bound by such acts or obligations, if he had by his words or conduct induced such persons to believe that such acts and obligations were within the scope of the agent's authority.

Illustrations.

(a.) A. consigns goods to B. for sale, and gives him verbal instructions not to sell under a fixed price. C. being ignorant of B.'s instructions enters into an agreement with B. to buy the goods at price lower than the reserved price. A. is bound by the agreement.

(b.) A. knows that B. is an agent of C., and acting under written instructions from C., but makes an agreement with B., as C.'s agent, without asking to see the instructions. The terms of the agreement are contrary to the instructions. C. is not bound by the agreement.

Ship-master's authority to sign bill of lading.

216. The master of a ship has not, as such, any authority to sign bills of lading without receiving the goods to which they refer.

Master's liability for injuries caused by his servant.

217. A master is bound to make compensation to third persons for injuries caused by the negligence or unskilfulness of his servant acting as such, but not for his wilful misconduct.

Illustrations.

(a.) A.'s coachman, driving A.'s carriage on A.'s business, strikes B.'s horses, not wantonly, but in order to extricate himself from a difficulty, and causes the horses to run away, in consequence of which B.'s carriage is overturned and broken. A. is liable to make compensation to B. in respect of the loss or damage caused to him by the breaking of the carriage.

(b.) A.'s coachman, driving A.'s coach on A.'s business, wantonly strikes B.'s horses, which run away, in consequence of which B.'s carriage is overturned and broken. A. is not, but his coachman is, liable to make compensation to B. in respect of the loss or damage caused to him by the breaking of the carriage.

(c.) The commander of A.'s ship, navigating the ship on A.'s business, through negligence runs over B.'s boat. A. is liable to make compensation to B. in respect of loss or damage caused to him thereby.

(d.) The commander of A.'s ship, navigating the ship on A.'s business, intentionally runs over B.'s boat. A. is not, but the commander is, liable to make compensation to B. in respect of loss or damage caused to him thereby.

(e.) A.'s coachman driving A.'s coach, but not on A.'s business, through negligence runs over B., who thereby sustains severe bodily injury. A. is not, but the coachman is, liable to make compensation to B. in respect of such injury.

(f.) A. employs B. to act as conductor of his omnibus. C. enters the omnibus, and having behaved improperly there, is removed by B. with unnecessary violence. In consequence of B.'s violence C. is seriously injured. A. is not, but B. is, liable to make compensation to C. in respect of the effects of such injury.

(g.) A. was in the habit of buying corn and directing the vendor to deliver it at B.'s wharf, and of paying for the corn on the production of the receipt of B. or his servant. B.'s servant, whose duty it was to receive the corn, and give receipts for it on behalf of B., gave C. a receipt for corn that had never been delivered, and thus enabled C. to obtain money from A. B. is not liable to make compensation to A. in respect of the loss caused to him by the conduct of B.'s servant.

Employer's responsibility for injuries caused to third person in doing lawful act.

218. A person who employs another to do a lawful act, otherwise than as a servant, is not responsible for injuries caused to third persons in the doing of that act by the negligence or unskilfulness of the person employed, except in any case where the injuries may have been caused by conduct which the employer had authorised or adopted.

Illustrations.

(a.) A. employs B., a builder, to pull down and rebuild A.'s house. In consequence of the negligence of B.'s workmen in pulling down the house, the front of C.'s house, which adjoins A.'s, falls down. A. is not liable to make good the loss to C., but B. is.

(b.) A. employs B., a builder, to execute certain alterations in a house, including the preparation and fixing of gas fittings. B. makes a sub-contract with C., a gas-fitter, to execute this part of the work. D. is injured by an explosion of gas, caused by C.'s negligence. C. is, but A. and B. are not, liable to make compensation to D. in respect of such injury.

219. A person who is bound to do any act is responsible for all injuries arising from the non-performance of such act, although he may have employed another to do it.

Responsibility for injuries arising from non-performance of act which a person is bound to do.

Illustrations.

(a.) A. is bound to repair the wall of his house, which is in a dangerous state. He employs B. to repair it. B. omits to do so. The wall falls down; and in doing so draws with it a part of an adjoining house belonging to C. A. is liable to make good the loss to C.

(b.) A. is bound to cover in a drain in front of his house, and employs B. to do so. B. neglects to cover in the drain; in consequence of B.'s negligence C. falls into the drain, and is hurt. A. must make compensation to C.

220. A person employing another to do any act is bound to make compensation to third persons in respect of injuries caused directly by such act.

Compensation for injuries caused by act of person employed to do the act. Master's liability for injury to one servant by misconduct, &c., of another.

Exception.—Where two persons are engaged as agents or servants to the same master for a common object, the master is not bound to make compensation to one servant in respect of loss or damage arising from the misconduct, negligence, or want of skill of the other, unless he neglected to use ordinary care in the selection of the servant who has caused the injuries.

Illustrations.

(a.) A. employs B. to build a house according to a particular plan. The house cannot be built without obscuring the lights of a neighbour's house. The house is built accordingly. A. is liable to make good the loss or damage thereby sustained by the neighbour.

(b.) The guard of a train is injured through the neglect of the plate-layers to keep the line in proper order. Ordinary care had been used in the selection of the plate-layers. The railway company is not liable to indemnify the guard.

221. The master must make compensation to his agent or servant in respect of injury caused to such agent or servant by the master's neglect or want of skill.

Compensation to agent for injury caused by principal's neglect.

Illustration.

A. employs B. as a bricklayer in building a house, and puts up the scaffolding himself. The scaffolding is unskilfully put up, and B. is in consequence hurt. A. must make compensation to B.

222. The principal cannot retain any profit resulting from the fraud of his agent, although such fraud have been unauthorised by or unknown to the principal.

Profit resulting from agent's fraud.

223. An agent is not responsible to third persons for injuries to them arising from his neglect of duty, but he is bound to make compensation to his employer in respect of all sums properly paid by him on account of such injuries.

Agent's responsibility for injuries arising from neglect.

Illustration.

A. is bound to cover in a drain in front of his house, and employs B. to do so. B. neglects to cover in the drain; in consequence of B.'s negligence, C. falls into the drain, and is hurt. B. is not liable to make compensation to C.; but B. must make compensation to A. in respect of any compensation which A. has been compelled to make to C.

224. An agent is in all cases responsible to third persons for wrongful acts done by him, though such acts may have been previously commanded or subsequently ratified by his employer.

Agent's responsibility for wrongful acts.

225. An agency is terminated by the principal revoking his authority or by the agent renouncing the business of the agency, or by the business of the agency being completed, or by either the principal or agent dying or becoming of unsound mind: or by the principal being adjudicated an insolvent under the provisions of any Act for the time being in force for the relief of insolvent debtors.

Termination of agency.

226. Where the agent has himself an interest in the property which forms the subject-matter of the agency, the agency cannot be terminated to the prejudice of such interest.

Where agency is coupled with an interest.

Illustrations.

(a.) A. gives authority to B. to sell A.'s land, and to pay himself out of the proceeds the debts due to him from A. A. cannot revoke this authority, nor can it be terminated by his insanity or death.

(b.) A. consigns 1,000 bales of cotton to B., who has made advances to him on such cotton, and desires B. to sell the cotton, and to repay out of the price the amount of his own advances. A. cannot revoke this authority, nor is it terminated by his insanity or death.

227. The principal may (save as is otherwise provided by the last preceding section) revoke the authority given to his agent at any time before the authority has been exercised so as to bind the principal.

Revocation of agent's authority.

Revocation where authority has been partly exercised.

228. The principal cannot revoke the authority given to his agent after the authority has been partly exercised, so far as regards such acts and obligations as arise from acts already done in the agency.

Illustrations.

(a.) A. authorizes B. to buy 1,000 bales of cotton on account of A., and to pay for it out of A.'s monies remaining in his hands. B. buys 1,000 bales of cotton in his own name, so as to make himself personally liable for the price. A. cannot revoke his authority so far as regards payment for the cotton.

(b.) A. authorizes B. to buy 1,000 bales of cotton on account of A., and to pay for it out of A.'s monies remaining in B.'s hands. B. buys 1,000 bales of cotton in A.'s name, and so as not to render himself personally liable for the price. A. can revoke B.'s authority to pay for the cotton.

Compensation for revocation or renunciation.

229. If it has been agreed expressly or by implication that the agency should be continued for any period of time, the principal must make compensation to the agent, or the agent to the principal, as the case may be, for any previous revocation or renunciation of the agency without sufficient cause.

Notice of revocation or renunciation.

230. Reasonable notice must be given of such revocation or renunciation, or the damage thereby resulting to the principal or the agent, as the case may be, must be made good to him by the other.

Revocation and renunciation may be expressed or implied.

231. Revocation and renunciation may be expressed, or may be implied in the conduct of the principal or agent respectively.

Illustration.

A. empowers B. to let A.'s house. Afterwards A. lets it himself. This is an implied revocation of B.'s authority.

When termination of agent's authority takes effect.

232. The termination of the authority of an agent does not, so far as regards the agent, take effect before it becomes known to him, or, so far as regards third persons, before it becomes known to them.

Illustrations.

(a.) A. directs B. to sell goods for him, and agrees to give B. 2 per cent. commission on the price fetched by the goods. A. afterwards by letter revokes his authority. B., after the letter is sent, but before he receives it, sells the goods for 100 rupees. The sale is binding on A., and B. is entitled to 2 rupees as his commission.

(b.) A., at Madras, by letter directs B. to sell some cotton lying in a warehouse in Bombay for him, and afterwards by letter revokes his authority to sell, and directs B. to send the cotton to Madras. B. after receiving the second letter enters into a contract with C., who knows of the first letter, but not of the second, for the sale to him of the cotton. C. pays B. the money, with which B. absconds. The contract is binding on A.

Agent's duty on termination of agency by principal's death or insanity.

233. When an agency is terminated by the principal dying or becoming of unsound mind the agent is bound to take all reasonable steps for the protection and preservation of the interest intrusted to him.

Illustrations.

(a.) A., in London, consigns to his agent B., at Calcutta, for sale, a cargo of porcelain. A. dies. B.'s duty, under ordinary circumstances, is to warehouse and retain the porcelain.

(b.) A., in New York, consigns to B., in Calcutta, for sale, a cargo of ice. A. dies. It is B.'s duty to sell the ice as soon as possible.

Termination of sub-agent's authority.

234. The termination of the authority of an agent causes the termination of the authority of all sub-agents appointed by him, subject to the rules herein contained regarding the termination of an agent's authority.

PART VIII.—OF PARTNERSHIP.

'Partnership' defined.

235. Partnership is the relation which subsists between persons who have agreed to combine their property, labour, or skill in some business, and to share the profits thereof between them.

'Firm' defined.

Persons who have entered into partnership with one another are called collectively a firm.

Illustrations.

(a.) A. and B. buy 100 bales of cotton, which they agree to sell for their joint profit; A. and B. are partners in respect of such cotton.

(b.) A. and B. buy 100 bales of cotton, agreeing to share it between them. A. and B. are not partners.

(c.) A. agrees with B., a goldsmith, to buy and furnish gold to B., to be worked up by him and sold, and that they shall share in the profits. A. and B. are partners.

(d.) A. and B. agree to work together as carpenters, but that A. shall receive all profits, and shall pay wages to B. A. and B. are not partners.

(e.) A. and B. are joint owners of a ship. This circumstance does not make them partners.

236. A

236. A loan to a person engaged or about to engage in any trade or undertaking upon a contract with such person, that the lender shall receive interest at a rate varying with the profits, or that he shall receive a share of the profits, does not, of itself, constitute the lender a partner, or render him responsible as such.

Lender not a partner by advancing money for share of profits.

237. In the absence of any agreement to the contrary, property left by a retiring partner or the representative of a deceased partner to be used in the business, is to be considered a loan within the meaning of the last preceding section.

Property left in business by retiring partner or deceased partner's representative.

238. No contract for the remuneration of a servant or agent of any person engaged in any trade or undertaking by a share of the profits of such trade or undertaking shall, of itself, render such servant or agent responsible as a partner therein, nor give him the rights of a partner.

Contract for servant's remuneration by share of profits.

239. No person being a widow or child of a deceased partner of a trader, and receiving by way of annuity a portion of the profits made by such trader in his business, shall, by reason only of such receipt, be deemed to be a partner of such trader, or be subject to any liabilities incurred by him.

Annuity out of profits to widow or child of deceased partner.

240. No person receiving by way of annuity or otherwise a portion of the profits of any business, in consideration of the sale by him of the good-will of such business, shall, by reason only of such receipt, be deemed to be a partner of the person carrying on such business, or be subject to his liabilities.

Portion of profits received for sale of good-will.

241. A person who has, by words spoken or written, or by his conduct, led another to believe that he is a partner in a particular firm, is responsible to him as a partner in such firm.

Responsibility of person leading another to believe him a partner.

242. Any one permitting himself to be represented as a partner is liable as such to third persons who, on the faith thereof, give credit to the partnership.

Liability of person permitting himself to be represented as a partner.

243. A person who is under the age of majority, according to the laws to which he is subject, may be admitted to the benefits of partnership, but cannot be made personally liable for any obligation of the firm; but the share of such minor in the property of the firm is liable for the obligations of the firm.

Minor partner.

244. A person who has been admitted to the benefits of partnership under the age of majority, becomes, on attaining that age, liable for all obligations incurred by the partnership since he was so admitted, unless he gives public notice within a reasonable time of his repudiation of the partnership.

Liability of minor partner on attaining majority.

245. Every partner is liable for all debts and obligations incurred by or on behalf of the partnership.

Partner's liability for debts of partnership.

246. Every partner is liable to make compensation to third persons in respect of loss or damage arising from the neglect or fraud of any partner in the management of the business of the firm.

Partner's liability to third person for neglect or fraud of co-partner.

247. Each partner who does any act necessary for or usually done in carrying on the business of such a partnership as that of which he is a member, binds his co-partners to the same extent as if he were their agent duly appointed for that purpose.

Partner's power to bind co-partners.

Exception.—If it has been agreed between the partners that any restriction shall be placed upon the power of any one of them, no act done in contravention of such agreement shall bind the firm with respect to persons having notice of such agreement.

Illustrations.

(a.) A. and B. trade in partnership; A. residing in England, and B. in India. A. draws a bill of exchange in the name of the firm. B. has no notice of the Bill, nor is he at all interested in the transaction. The firm is liable on the bill, provided the holder did not know of the fraud.

(b.) A., being one of a firm of solicitors and attorneys, draws a bill of exchange in the name of the firm without authority. The other partners are not liable on the bills.

(c.) A. and B. carry on business in partnership as bankers: a sum of money is received by A. on behalf of the firm. A. does not inform B. of such payment, and afterwards A. appropriates the money to his own use. The partnership is liable to make good the money.

(d.) A., a partner, takes upon him to agree that his firm shall submit to an arbitration. His undertaking is void.

(e.) A. and B. are partners. A., with the intention of cheating B., goes to a shop and purchases articles such as might be used in the partnership business, which he converts to his own separate use, there being no collusion between him and the seller. The firm is liable for the price of the goods.

248. Where partners have by agreement regulated and defined as between themselves their rights and obligations, such agreement can be annulled or altered only by consent of all of them, which consent must either be expressed or be implied from a uniform course of dealing.

Annulment of agreement defining partners' rights and obligations.

Illustration.

A., B., and C., intending to enter into partnership, execute written articles of agreement, by which it is stipulated that the net profits arising from the partnership business shall be equally divided between them. Afterwards, they carry on the partnership business for many years, A. receiving one-half of the net profits, and the other half being divided equally between B. and C. without any remonstrance on their part. This course of dealing supersedes the provision in the articles as to the division of profits.

General rule determining partner's mutual relations.

249. In the absence of any agreement to the contrary, the relations of the partners to each other are determined by the following rules :—

(1.) All partners are joint owners of all property originally brought into the partnership stock, or bought with money belonging to the partnership, or acquired for purposes of the partnership business. All such property is called partnership property. The share of each partner in the partnership property is the value of his original contribution, increased or diminished by his share of profit or loss.

(2.) All partners are entitled to share equally in the profits of the partnership business, and must contribute equally towards the losses sustained by the partnership.

(3.) Each partner has a right to take part in the management of the partnership business.

(4.) Each partner is bound to attend diligently to the business of the partnership, and is not entitled to any remuneration for acting in such business.

(5.) All ordinary matters of partnership business may be done with the consent of the majority of the partners ; but no change in the nature of the business of the partnership can be made, except with the consent of all the partners.

(6.) No person can introduce a new partner into a firm without the consent of all the partners.

(7.) If, from any cause whatsoever, any member of a partnership ceases to be so, the partnership is dissolved as between all the other members.

(8.) Unless the partnership has been entered into for a fixed term, any partner may retire from it at any time.

(9.) Where a partnership has been entered into for a fixed term, no partner can during such term retire, except with the consent of all the partners, nor can he be expelled by his partners for any cause whatever.

(10.) Partnerships, whether entered into for a fixed term or not, are dissolved by the death of any partner.

When Court may dissolve partnership.

250. At the suit of a partner the court may dissolve the partnership in the following cases :—

(1.) When a partner becomes of unsound mind.

(2.) When a partner other than the person suing has been adjudicated an insolvent under any law relating to insolvent debtors.

(3.) When a partner other than the person suing has done any act by which the whole interest of such partner is legally transferred to a third person.

(4.) When any partner becomes incapable of performing his part of the partnership contract.

(5.) When a partner other than the person suing is guilty of gross misconduct in the affairs of the partnership or towards his partners.

(6.) When the business can only be carried on at a loss.

Dissolution of partnership by prohibition of business.

Application of original terms to partnership continued under them.

251. A partnership is in all cases dissolved by its business being prohibited by law.

252. If a partnership entered into for a fixed term be continued after such term has expired, the rights and obligations of the partners will, in the absence of any agreement to the contrary, remain the same as they were at the expiration of the term, so far as such rights and obligations can be applied to a partnership dissolvable at the will of any partner.

General duties of partners.

253. Partners are bound to carry on the business of the partnership for the greatest common advantage, to be just and faithful to each other, and to render true accounts and full information of all things affecting the partnership to any partner, or his legal representatives.

Benefit derived from transaction affecting partnership.

254. A partner must account to the firm for any benefit derived from a transaction affecting the partnership.

Illustrations.

(a.) A. and B. are partners for the sale of a mineral of a certain description. A. keeps a shop near a mine where this mineral is found, and buys it from the miners, giving them goods in which he deals in exchange. A. must account to B. for the profit which he obtains by selling his own goods, as well as for that which he derives from the sale of the mineral.

(b.) A., B., and C. are partners in trade. C., without the knowledge of A. and B., obtains for his own sole benefit a lease of the house in which the partnership business is carried on. A. and B. are entitled to participate, if they please, in the benefit of the lease.

(c.) A., B., and C. carry on business together in partnership as merchants, trading between Bombay and London. D., a merchant in London, to whom they make their consignments, secretly allows C. a share of the commission which he receives upon such consignments, in consideration of C.'s using his influence to obtain the consignments for him. C. is liable to account to the firm for the money so received by him.

255. If

255. If a partner, without the knowledge and consent of the other partners, carries on any business competing or interfering with that of the firm, he must account to the firm for all profits made in such business, and must make compensation to the firm for any loss occasioned thereby.

Profits made in competing business.

256. Every person introduced as a partner into a pre-existing firm, is subject to all the obligations incurred by the firm before he was introduced.

Liability of incoming partner.

257. A continuing guarantee given either to a firm or to a third person in respect of the transactions of a firm, is not revoked as to future transactions by any change in the firm to which, or in respect of the transactions of which, such guarantee was given.

Non-revocation of continuing guarantee by change in firm.

258. The estate of a partner who has died is not liable in respect of any obligation incurred by the firm after his death.

Non-liability of deceased partner's estate for subsequent obligations.

259. Where there are joint debts due from the partnership, and also separate debts due from any partner, the partnership property must be applied in the first instance in payment of the debts of the firm, and if there is any surplus, then the share of each partner must be paid to him or applied in payment of his separate debts. The separate property of any partner must be applied first in the payment of his separate debts, and the surplus (if any) in the payment of the debts of the firm.

Payment of partnership-debts, and of separate debts.

260. After a dissolution of partnership the rights and obligations of the partners continue in all things necessary for winding up the business of the partnership.

Continuance of partners' rights and obligations after dissolution.

261. Persons dealing with a firm will not be affected by a dissolution of which no public notice has been given, unless they had themselves notice of such dissolution.

Notice of dissolution.

262. In the absence of any agreement to the contrary, after the termination of a partnership, each partner, or his representatives, may apply to the Court to wind up the business of the firm, to provide for the payment of its debts, and to distribute the surplus according to the shares of the partners respectively.

Winding-up by Court after termination of partnership.

263. Extraordinary partnerships, such as partnerships with limited liability, incorporated partnerships, and joint stock companies, shall be regulated by the law now in force in India relating thereto, until further provision shall be made in that behalf.

Limited-liability partnerships, incorporated partnerships, and joint stock companies.

FIRST SCHEDULE.

Number of Statute or Act.	Title of Act.	Extent of Repeal.
Stat. 29 Car. 2, c. 3 -	An Act for prevention of Frauds and Perjuries	Sections 1, 2, 3, 4, and 17.
Stat. 11 & 12 Vict. c. 21	To consolidate and amend the law relating to insolvent debtors in India.	Section 42.
Act XIII. of 1840 -	An Act for the amendment of the law regarding factors, by extending to the territories of the East India Company, in cases governed by the English law, the provisions of the statute 4 Geo. 4, c. 83, as altered and amended by the statute 6 Geo. 4, c. 94.	The whole.
Act. XIV. of 1840 -	An Act for rendering a written memorandum necessary to the validity of certain promises and engagements by extending to the territories of the East India Company, in cases governed by English law, the provisions of statute 9 Geo. 4, c. 14.	The whole, except Section 4.
Act V. of 1866 -	To provide a summary procedure on bills of exchange, and to amend in certain respects the commercial law of British India.	Section 10.
Act XV. of 1866 -	To amend the law of Partnership in India -	The whole.

SECOND SCHEDULE.

Number of Statute or Act.	Title of Act.	Extent of Saving.
Act XI. of 1841 -	Military Courts of Request Act - - -	Section 9.
Act XXI. of 1848 -	For avoiding wagers - - - -	The whole.
Act VI. of 1849 -	For securing Military and Naval pensions and superannuation allowances.	Section 3.
Act XIX. of 1850 -	Concerning the binding of apprentices - -	Sections 8, 9, 10, 11, 12, and 22.
Act XVIII. of 1853 -	For regulating the sale of spirituous liquors, &c., in cantonments.	So much as is not repealed.
Act XVIII. of 1854 -	An act relating to railways in India - -	Sections 9, 10, and 11.
Stat. 17 & 18 Vict. c. 104	The Merchant Shipping Act, 1854 - -	Section 544.
Act I. of 1859 -	For the amendment of the law relating to Merchant Seamen.	So much as relates to agreements with seamen.
Act XIII. of 1859 -	To provide for the punishment of breaches of contract by artificers, workmen, and labourers in certain cases.	The whole.
Act XV. of 1863 -	To amend Act I. of 1859 - - - -	Section 3.
Act III. of 1865 -	The Carriers' Act, 1865 - - - -	The whole.
Act XIV. of 1866 -	The Indian Post Office Act, 1866 - -	Section 65.
Act VIII. of 1867 -	To amend the law relating to Horse-racing in India.	The whole.

STATEMENT OF OBJECTS AND REASONS.

The Bill now submitted to the Council of the Governor General for making laws and regulations embodies the draft Law of Contract prepared under the superintendence of the Indian Law Commissioners. A series of sections, having reference to one particular subject, has been omitted for reasons which will be afterwards assigned; but, with this exception, no change has been made in the draft of the Commissioners other than the correction of some minor errors, of which a few appear to be either clerical or typographical.

"The Indian Contract Law"—which is the designation proposed for the measure—constitutes the second chapter transmitted to India of the intended Code of Substantive Civil Law. If it becomes law, it will differ in one important particular from the chapter which has already received legislative sanction. The "Indian Succession Act," so far at least as regards intestate succession, was never intended to include Hindoos and Mahometans, and the Indian Legislature further exempted Buddhists from its operation. But the Commissioners recommend, and the present Bill proposes, that the new Indian Contract Law shall be of universal application in India.

The recommendation of the Commissioners appears to be justified, not only by the abstract consideration that contract is the branch of law on which men of all times and races have come most nearly to identical conclusions, but also by the actual condition of the Law of Contract in India. The state of that law is thus described in general terms by the Commissioners:—

"Within the limits of the Presidency towns, the decision of suits of the nature is practically governed by the law of England, and everywhere else the judge is, to a great extent, without the guidance of any positive law beyond the rule that his decision shall be such as he deems to be in accordance with 'justice, equity, and good conscience.'"

This description needs only to be qualified by the remark that the decisions assumed to be dictated by "justice, equity, and good conscience," have of late years been much affected, as a fact, by the English Law of Contract, as gathered from the ordinary text books in use among English practitioners.

The largeness of the sphere practically occupied in India by the English Law of Contract, is in truth the justification of the course which has been followed by the Commissioners. Their draft will be found to consist of the English Law of Contract, much simplified, and

altered

altered in some particulars so as to accommodate it to the circumstances of this country. As the sections relating to sale do not apply to the sale of immovable property, and as the law regarding negotiable instruments forms no part of the present measure, the amount of native law which it will displace will be extremely minute.

The principal changes which it is proposed to introduce into the English Law of Contract, considered as the basis of the present measure, are thus indicated by the Commissioners:—

“We have not adopted, in framing these rules, the provisions of the English Statute of Frauds which require certain contracts to be in writing. Those provisions are not of unquestionable expediency even in England; and we think that they are not suited to the habits and present condition of the people of India.

“We have considered whether it would be expedient to render binding in law promises made without consideration. By the English law such promises are held to be binding only when expressed in writings under seal. We have not recognized any distinction between writings under seal and writings not under seal; but we think that, in order to give validity to promises made without consideration, it ought to appear that they were made with due deliberation. In order to attain this object, we propose that such promises shall be binding only when they are given in writing, and are registered with the permission of the promisor, according to the provisions of the law for the time being in force for the registration of assurances.

“By the English law a promise by a creditor to give time for the payment of an existing debt, or the acceptance by him, in full satisfaction of his demand, of a smaller sum than that which is due to him, is not binding on him unless there has been some new consideration given for it, such as an undertaking to give an additional or different security, or to pay the debt in a manner or at a time more advantageous to the creditor than that originally agreed upon; or unless the creditor's engagement to take less than his due, or to give time, be contained in a composition deed or agreement entered into by the debtor with his creditors generally; but a slight variation of the terms of the contract will satisfy these conditions. We have provided, that a person who is entitled to claim performance of an engagement, may dispense with or remit such performance wholly or in part, or may accept instead of it any satisfaction which he thinks fit.

“With regard to goods sold by a person who has no right to sell them, the general rule of English law is that the owner of the goods retains the ownership notwithstanding his having lost the possession of them and their having been sold to a third person. But from this rule there is an exception in the case of goods sold in open market, an expression which, by the custom of London, applies to every shop within the city.

“It cannot be denied that the subject is difficult. We have to consider, on one hand, the hardship suffered by an innocent person who loses in this way his right to recover what was his undoubted property. But, on the other hand, still greater weight appears to us to be due to the hardship which a *bonâ fide* purchaser would suffer were he to be deprived of what he bought. The former is very often justly chargeable with remissness or negligence in the custody of the property. The conduct of the latter has been blameless. The balance of equitable consideration is therefore on the side of a rule, favourable to the purchaser; and we think that sound policy, with respect to the interests of commerce, points to the same conclusion.

“We have, therefore, provided that the ownership of goods may be acquired by buying them from any person who is in possession of them, if the buyer acts in good faith, and under circumstances which are not such as to raise a reasonable presumption that the person in possession has no right to sell them.

“Similar provisions have been inserted, in accordance, we may observe, with the spirit of the Factors' Act, to meet the cases of those who have purchased goods or taken them by way of pledge from persons in possession of any documentary title to the goods, where the circumstances are not such as to raise a reasonable presumption that the person in possession of the document has no right to sell or to pledge the goods.

“It would seem that by the English law, if a buyer or any person claiming under him, is by reason of the invalidity of the seller's title deprived of the thing sold, he cannot claim compensation from the seller for loss thereby caused. We propose that in such cases the seller shall be responsible, unless a contrary intention appears by the agreement.

“In order to avoid the litigation which arises under the English law on the subject of the distinction between penalty and liquidated damages, where the contract contains a stipulation that a specified sum shall be paid in case of its breach, we propose that the rule of law shall have no regard to that distinction, but simply require payment of the specified sum.

“In dealing with the law of suretyship, we have not thought it right to recognise a transaction so complicated, and tending so much to the unfair devolution of liability on the surety, as that by which a creditor who makes a composition with, or agrees to give time to, or not to sue the principal, may yet reserve his rights and remedies against the surety. By the rule which we propose, an agreement between the creditor and the principal, by which the creditor makes a composition with, or agrees to give time to the principal, or not to sue him, will discharge the surety; no exception being made in favour of the creditor in the case where he has endeavoured to reserve his rights and remedies against the surety. From a wish to avoid subtleties, and the attaching of unforeseen consequences to men's actions, we have provided that where there are co-sureties, a release of one

of them by the creditor shall not discharge the others, nor free that one from responsibility to them.

"Adopting a provision of the French and Italian Codes, we propose that the surety shall be discharged by any act or omission of the creditor, only in case the eventual remedy of the surety against the principal is thereby impaired. We also propose to enact that where upon the face of an agreement two persons are primarily liable to a third person, that liability shall not be effected, so far as regards the third person, by an arrangement between the two, that one of them shall be liable only upon the default of the other, even although such arrangement may have been known to the third person, unless he was a party to the arrangement. In this we adhere to the old and simple doctrine of the common law, rejecting the qualifications introduced by courts of equity.

"In our rules on the subject of bailment we have discarded the complicated system of gradation which the English law applies to the amount of care which a bailee is to be expected to exercise, and the responsibility which is to attach to him; and we have framed our proposed law on the principle that in all cases of bailment the bailee is bound to take as much care of the goods bailed to him as a man of ordinary prudence would take of his own goods, and that more should not be required of him in any case.

"We have endeavoured to improve the law applicable to the case where the bailor's goods have, without the consent of the bailor, been mixed up with the goods of the bailee, so that they cannot be separated. The remedy which our rule provides is, that the bailor shall be entitled to receive compensation for the loss of his goods, which seems more expedient than the provision of the English law, that the whole shall go indiscriminately to the person whose goods have been mixed without his consent.

"We have provided that a continuing guarantee given by, to, or for a firm, shall not be rendered invalid by a change in the firm.

"In regulating the devolution of rights and liabilities, we propose, in accordance with the rule of English courts of equity, and of the Indian Code of Civil Procedure, that joint liabilities and rights shall, after the death of one of the persons liable or entitled, go to his representative jointly with the survivor, and, after the death of the survivor, to the representatives of both jointly.

"We propose to lay it down, that a person with whom a contract has been entered into in the character of agent, is not entitled to require the performance of it if he was in reality acting not as agent but on his own account.

"In defining the responsibility of a master for the misconduct of his servant, we have stopped a little short of the limits assigned to it by the English law. We think that the responsibility ought to cease as soon as the misconduct assumes the character of intentional wrong-doing.

"According to the English law, when there is any partnership property, the separate property of any partner must be employed first in the payment of his separate debts, and the surplus, if any, in the payment of the partnership debts; but when there is no partnership property the separate property of any partner must be applied equally to the payment of all the partnership and separate debts for which such partner is liable. It thus depends upon the existence or non-existence of partnership property, no matter how small in amount, which of the two rules is to govern the division of the separate property of the partners. We have thought it right so to frame the law that the rule first stated, which is more equitable, shall prevail whether there is any partnership property or not. The principle on which we proceed is that of having regard to the views of the creditors in giving the credit. In contracts with a firm, partnership property is primarily looked to; in dealings with a partner with which the firm has nothing to do, all that is looked to is his own sufficiency.

"Adopting a rule which is to be found in the German and the Italian commercial codes, we propose that every person introduced as a partner into a pre-existing firm, shall be subject to all the obligations incurred by the firm before he was introduced.

"We have adopted, with such verbal alterations as were necessary to bring them into harmony with the language of our rules, the provisions of a law lately passed by the Indian Legislature, Act XV. of 1866, for relieving those who participate in the profits of a partnership without being really partners, from becoming liable for the engagements of the firm."

It may be said of these proposed modifications of English law, that while all, or nearly all of them, have commended themselves to the approval of enlightened lawyers, not a few are being gradually carried out in England without the aid of the Legislature, through the direction given of late years to the current of judicial decision.

It has been stated that a certain number of sections contained in the Commissioners' draft, have been omitted from the present Bill. These sections, numbered from 51 to 59, will be found in the Appendix, together with the paragraph in the Commissioners' Report, which describes their character. They relate to the specific performance of contracts and to injunctions against breach of contract; and they would in effect necessitate the repeal of certain portions of the Code of Civil Procedure.

The existing law of India, on the subject of the specific performance of contracts, is given by section 192 of the Code of Civil Procedure. The law on the subject of injunctions against breach of contract, which to a very great extent discharge the office of decrees for specific performance, is contained in section 93 of the Code. The language of both sections is so wide as to embrace contracts of every description.

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It cannot be said that the latitude thus given to specific performance and analogous remedies is without precedent. It is not known that in continental European countries there is any limit to the power of decreeing the specific performance of contracts, except the discretion of the Court. But the law of India on the subject is considerably wider than the Scottish law, which, again, is wider than the law of England. The law of specific performance in England is, in fact, the narrowest in the world, less probably owing to deliberate intention than to the reluctance of equity judges to put freely in motion the once cumbrous and costly machinery of the Court of Chancery.

There is no doubt that, from an English point of view, the Indian law of specific performance is too little restricted. But, on the other hand, owing to difficulties of procedure, and especially to those arising out of the system of appeal, there are large numbers of contracts to which this class of remedies cannot be effectually applied, and it is believed accordingly that decrees for specific performance and injunctions against breach of contract are comparatively rare in India.

Under these circumstances, when the time for the first revision of the Code of Civil Procedure approached, a number of sections were prepared and (with amendments and additions) were inserted in a draft revised code, having for their object to place the extraordinary civil remedies on what appeared to be a more satisfactory footing. On the one hand, the classes of contracts to which they were applicable were more strictly defined, and various provisions were inserted to prevent the remedies themselves from operating with undue harshness against defendants. On the other hand, the procedure was so simplified as to make the remedies, thus altered and limited, of considerably easier application.

The sections in question, together with the draft of a revised code of procedure, were submitted by the Secretary of State to the Indian Law Commissioners. The Commissioners, in dissenting from them, expressed an opinion that no law of specific performance of the kind proposed, however carefully guarded, would be safe from abuse in India.

The question thus raised by the Law Commissioners is doubtless one of much difficulty, as well of great importance. It may be argued, on the one hand, that there is no country in which damages afford practically so imperfect a redress for breach of contract as they do in India, and none in which the prospect of having to pay damages operates so slightly to compel the performance of agreements. It may be contended on the other side that, under the circumstances of the country and people, all facilities for applying any unusual compulsion are peculiarly liable to be abused.

The sections omitted from the present Bill were doubtless framed by the Commissioners, under the influence of the feeling just indicated. They, in effect, propose for India a law of specific performance of contract and of injunction against mediated breach of contract, which would be narrower than that of England, which again is narrower, as has been stated, than that of any known community.

It is now proposed to omit these sections on two grounds. The first is, that in the opinion of the Member of Council charged with this Bill; an opinion which apparently coincides with that entertained by the framers of the Code of Civil Procedure; the proper place for defining the extraordinary, as well as the ordinary, civil remedies applicable in suits on contract is a code of procedure, not a code of substantive law. Owing to the historical connection between law and procedure, there is often a close association in men's minds between the two, and sometimes there is practical difficulty in disentangling them. If, however, we could suppose that a code of substantive civil law and a code of civil procedure were being framed simultaneously, and that the framers of the codes had the power of placing the law of specific performance in either code, there cannot be much doubt that he would consider it as cognate to procedure rather than to substantive law.

The second reason for omission is of a less technical character. It appears very desirable to leave the new Substantive Law of Contract to its operation for some little time, before that question of remedies in cases of breach of contract which has been so long and so hotly disputed in India, is brought forward anew for discussion. It may be reasonably suspected that much of the disinclination which has been felt, to investing the plaintiff in suits on contract with more than a bare claim to pecuniary damages, has arisen from the feeling that the civil courts of the Mofussil, in the absence of definite and accessible rules for their guidance, have scarcely been in a position to determine with accuracy the proper legal relations of contracting parties, or to apply to contracts the proper tests of validity and invalidity. If, however, the Legislature adopts the present Bill, India will be in possession of a body of contract law which leaves nothing to be desired, in point of simplicity and comprehensiveness, in respect of the essential equity of its provisions, and in respect of the perspicuity with which those provisions are set forth. It is probable, and indeed certain, that the effect of the new law will be, after a while, to place all questions of contract, and of procedure in suits on contract, in a far clearer light. A distinct advantage will thus be gained by postponing the subject of specific performance, and other cognate remedies, until the Legislature again addresses itself to the revision of the Code of Civil Procedure; a revision which, after it had been proceeded with some way, has been deferred for the present under the instructions of Her Majesty's Government.

H. S. Maine.

Simla, 9 July 1867.

APPENDIX.

"We propose that the extraordinary remedy of an order for specific performance should be restricted to the case of engagements for the creation or transfer of any interest in immoveable property, or for the delivery of any specific article of moveable property. We have not, however, thought it right to include in the former category agreements to cultivate land in a particular manner or to grow particular crops; and we have provided that injunctions shall not be granted to restrain the breach of engagements relating to the cultivation of land or the growing of particular crops.

* * * * *

"51. Specific performance of a contract is the doing or the delivery of the thing contracted for, as the case may be, according to the terms of the contract.

"52. Where an engagement by contract has been made between any persons for the creation or transfer of any interest in immoveable property, or for the delivery of any specific article of moveable property, and the party who has entered into such engagement fails to perform it, the Court may, at the suit of any other party to the contract, order specific performance of the engagement, with or without compensation in respect of loss or damage caused by his default.

"*Explanation.*—An agreement to cultivate land in a particular manner, or to grow particular crops, does not create such an interest in immoveable property as is contemplated by this section.

Illustrations.

"(a.) A. agrees with B. to sell him a house for 1,000 rupees. B. is entitled to a decree directing A. to convey the house to him, he paying the purchase money.

"(b.) A. agrees with B. to give him a bill of lading of a certain cargo. B. is entitled to have the bill of lading signed by A.

"(c.) A. agrees with B. to prepare and sow, and cultivate a field with indigo, and to deliver him the crop; when the crop is cut and ready for delivery B. is entitled to have the crop delivered to him in specie, but he is not entitled to a decree directing A. to prepare, or sow, or cultivate.

"(d.) A. agrees with B. that he will paint a picture for him, and the picture is painted. B. is entitled to have it delivered to him, but B. is not entitled to a decree ordering A. to paint or to complete the painting of the picture.

"(e.) A. agrees with B. to edit a periodical work for the remuneration of 1,000 rupees per month. B. cannot enforce against A. the specific performance of this contract; and as the rights and obligations are mutual, A. cannot enforce against B. the specific performance of this contract.

"[N. B.—In this case either party can obtain compensation for the loss sustained by him, by the failure of the other to perform his engagement.]

"(f.) A. agrees with B. to deliver to him 40 chests of indigo, at 1,000 rupees per chest. A. fails to perform his engagement. B. cannot obtain specific performance of the contract, but can obtain compensation for the loss sustained by him by reason of A.'s failure to complete the contract.

"(g.) A. agrees with B. to sell him a house for 10,000 rupees, the price to be paid and possession given on the 1st of January 1865. A. fails to perform his engagement. B. brings his suit for specific performance which is decided in his favour on the 1st January 1866. The decree ought, besides ordering specific performance, to award to B. compensation for any loss or damage which he has sustained by A.'s refusal.

"53. Where a party to a contract is unable to perform the whole of the engagement which he has entered into with another party, but the part which must be left unperformed bears only a small proportion to the whole in value, and admits of compensation in money, the Court may, at the suit of either party, direct the specific performance of so much of the engagement as can be performed, and award compensation in money for the deficiency. In such case neither party shall be entitled to compensation for loss or damage caused by the neglect or default of the other party to perform the engagement.

Illustration.

"A. agrees to sell B. a piece of land consisting of 100 biggahs. It turns out that 98 biggahs of the land belong to A., and the two remaining biggahs to a stranger, who refuses to part with them. A. may be directed at the suit of B. to convey to B. the 98 biggahs, and to make compensation to him for not conveying the two remaining biggahs; or B. may be directed at the suit of A. to pay to A. on receiving the conveyance and possession of the land, the stipulated purchase-money, less a sum awarded as compensation for the deficiency.

"54. Where a party to a contract is unable to perform the whole of the engagement which he has entered into with another party, and the part which must be left unperformed forms a considerable portion of the whole, the party in default is not entitled to obtain a decree for specific performance, but the Court may, at the suit of the other party, direct the party in default to perform specifically so much of the engagement as he can perform, provided that the party seeking specific performance relinquishes all claim to further performance, and all right to compensation, either for the deficiency or for the loss or damage sustained by him through the default of the other party.

Illustrations.

"(a.) A. agrees to sell to B. a piece of land consisting of 100 biggahs. It turns out that 50 biggahs of the land

land belongs to A., and the other 50 biggahs to a stranger, who refuses to part with them. A. cannot obtain a decree against B. for the specific performance of the contract; but if B. is willing to pay the price agreed upon, and to take the 50 biggahs which belong to A., waiving all right to compensation, either for the deficiency or for loss sustained by him through A.'s neglect or default, B. is entitled to a decree directing A. to convey those 50 biggahs to him on payment of the purchase money.

"(b.) A. agrees to sell to B. an estate with a house and garden for 1,00,000 rupees. It turns out that A. is unable to convey the garden. A. cannot obtain a decree against B. for the specific performance of the contract; but if B. is willing to pay the price agreed upon, and to take the estate and house without the garden, waiving all right to compensation either for the deficiency or for loss sustained by him through A.'s neglect or default, B. is entitled to a decree, directing A. to convey the house to him on payment of the purchase money.

"55. Except in cases coming under one or other of the two last preceding sections, it is not competent for the Court to direct the specific performance of a part of an engagement by contract.

"56. It shall be competent to the Court to award compensation in cases where specific performance is sued for, and the Court does not think fit to order it.

"57. In every case the Court shall have power to give compensation in money in lieu of the specific performance of the contract, where it shall appear to the Court that specific performance would inflict damage or injury on one party to the contract without any corresponding benefit to the party seeking specific performance.

"58. Where the specific performance of an engagement is ordered, and it appears to the Court that such specific performance ought to be made by a party by executing a conveyance, or by endorsing a negotiable instrument, and the party ordered to execute or endorse such conveyance or negotiable instrument shall neglect or refuse so to do, any party interested in having the same executed or endorsed, may prepare a conveyance or endorsement of the instrument in accordance with the terms of the decree, and tender the same to the Court for execution upon the proper stamp (if any is required by law), and the signature thereof by the judge, shall have the same effect as the execution or endorsement thereof by the party ordered to execute.

"59. Where a contract contains an engagement, express or implied, by one party, that he will abstain from doing any act, the Court may at the suit of another party issue an injunction to restrain the breach of such engagement, provided such other party has not failed to perform his own engagement.

"*Exception.*—This section shall not apply to engagements relating to the cultivation of land or the growing particular crops.

Illustrations.

"(a.) A. agrees with B. that he will sing at B.'s theatre for a twelvemonth. B. cannot have an order directing A. to sing, but he is entitled to have an order restraining A. from singing at any other place of entertainment.

"(b.) B. agrees with A. that he will serve him faithfully for twelvemonths as a clerk. A. is not entitled to an order directing B. to serve, but he is entitled to an order restraining B. from serving a rival house, or doing any other act to the injury of A. in his business.

"(c.) A. agrees with B. that in consideration of a sum of money to be paid to him by B. on a day fixed, he will not set up a certain business within a specified distance. B. makes default in payment of the money. A. cannot be restrained from carrying on business within the specified distance.

Whitley Stokes,
Assistant Secretary to the Government of India,
Home Department (Legislative).

NOTE by the Honourable Mr. *Maine*; dated 15th July 1867.

This is the second chapter of the proposed Civil Code. Under ordinary circumstances, I should have asked the Governor General to direct its publication under the rule of the Legislative Council which permits Bills to be published before their submission to the Legislature. But this rule is so framed as not to apply when the Council is holding weekly sittings, however formal they may be, and accordingly, early publication being a matter of urgent moment, I am reduced to proposing that the Bill be introduced and referred to a Select Committee merely as a form, it being explained at the time that the object is only to get the Bill before the public, and that no Committee will actually sit until we reach Calcutta.

I have assigned in the statement of objects and reasons the grounds on which I have omitted certain sections of the Commissioners' draft. I venture to predict with some confidence that the Council will allow this to be done. Having committed myself, in conjunction with Sir H. Harington, and with the concurrence, and indeed at the instance of the last Governor General, to a very different view of the law of specific performance, I could not with honour propose such an enactment on the subject as appears to commend itself to the Commissioner. The submission of such an enactment, if at any time it receives the express approval of the Home Government or of the Government of India, may well be reserved for my successor, and the proper time for submitting it will be the period at which

the revision of the code of civil procedure is again taken up, the Secretary of State having postponed it for the present.

It is perhaps necessary to add, that nobody but the writer is responsible for the statement of objects and reasons. It is in the nature of a speech, and, in fact, is generally framed from the remarks made by the mover on obtaining leave to introduce a Bill.

It cannot, I think, be honestly denied that the omitted sections (which are printed in the Appendix) are, in truth, directed against indigo planting. I would call attention to the "Explanation" appended to section 52, and to "Illustration" (c), also to the "Explanation" added to section 59.

These exceptions, explanations, and illustrations (which, in fact, constitute rules) can only, in my judgment, be defended on the ground that there is some special practical object which may be attained through the exceptional provisions.

Now, there is no such special practical object to be attained. Whatever be the evils of indigo planting, they no longer arise from a complicated system of contracts. The planting which did depend on such contracts is virtually extinct, and its place has been taken in Tirhoot and elsewhere by a system which depends for its stringency on zemindaree influence, direct or indirect. This is a result, and far from a satisfactory result, which I from the first predicted when I saw that the course likely to be followed would consist in preventing the indigo planters from enforcing their contracts, without, at the same time, taking any steps to sift the equitable from the inequitable contracts, and to give facilities for enforcing the former.

Again, it is not a case of limiting or amending a procedure which is found to work oppressively. The rules of the code of civil procedure on the subject of specific performance of contract (that is, the *actual* performance of contract, as opposed to the payment of damages), and of injunctions against intended breach of contract, cannot easily be worked by anybody, and by an indigo planter not at all. The planter, when he sees the ryot preparing for another crop the ground which he has contracted to sow with indigo, must file a regular suit in the civil court before he can obtain a decree for specific performance, or an injunction. Both are appealable; and before the ultimate decision can be given, the crop has long since been reaped and sold, or consumed.

The effect, therefore, of attempting to make these sections law, would be to put a perfectly needless and useless affront on the European community. It is true that the section of even the indigo planters which is directly interested in the question is but a small one; still the old quarrels have left traces behind them, and the whole unofficial community would consider itself attacked, and the contest would be entered into without any sort of object.

It may be observed that, though the sections are directed against indigo planters and are intended to be favourable to the cultivating class, they would operate very disadvantageously for artisans and labourers for hire. The "Explanation" added to section 59 (of the Appendix) speaks for itself, but under "Illustrations" (a) and (b) added to the same section, any emigrant coolie or labourer for a term might be restrained by a perpetual injunction from serving anybody except his first employer, and thus might have to choose between cruelty and starvation.

I have thought it right to publish the sections in question, that the proposed law may have whatever advantage is given to it by the Commissioners' authority. But I am compelled to dissent from their proposal, and I do not disguise my own opinion that, when the rest of the new law (which has my highest admiration) has been sometime in operation, and when the improvement which has begun in our judicial service has proceeded some way, the civil courts of India ought to be empowered to decree more speedily and easily the actual performance of contracts (whether through the agency of specific performance properly so called, or through that of injunctions) instead of leaving the plaintiff to the barbarous and (in this country) illusory remedy of pecuniary damages. In this way, and in this way only, will the Government of India be relieved from the perpetually recurring cry for a penal contract law.

H. S. M.

NOTE by His Excellency the Governor General; dated 19th July 1867.

It would afford me much pleasure could I concur in the Honourable Mr. Maine's views, and agree to omit certain sections of the Chapter on Contracts drawn up by the Commissioners in England, with the object of being introduced into the Council of India as the future law of contracts for this country.

I can quite understand and appreciate the circumstances under which Mr. Maine is unwilling to support these sections. But, with every deference to my honourable colleague's judgment, it strikes me that the proper course will be to introduce the Bill as it has been drafted by the Commissioners, and on its introduction into the Council, for Mr. Maine to state his objections to the particular clauses which he proposes to omit. Even did I object to these clauses on their merits, I should equally consider that I was bound to adopt this course.

I presume that the Legislative Council of India will consider and discuss on its merits each and all of the clauses of the Bill, and that every member will then be free to give them his support or not, as his judgment may dictate; though, as sections of a law so drafted, and which have received the support of the Secretary of State for India in Council, it will be desirable,

desirable, if possible, that they should receive the support of the different members of the Government of India.

I have always been opposed in principle to the specific performance clauses as drafted in the code of procedure, to which Mr. Maine refers, and when that code was originally drawn up, I explained my objections both to that gentleman and to Sir Henry Harington. It is true that the said clauses were then so fenced round by very stringent conditions, that they would probably in practice have been rendered null or nearly so. But the objection which I then saw to them, even in their modified form, was that, if they were once passed into law, and were subsequently found, as they assuredly would have been found, to be practically inoperative, the indigo planter could, and would probably, have come forward and have said, "the Legislature has admitted the principle that contracts for the supply of indigo plant are necessary and reasonable; it has admitted further, the necessity for specific performance of such contracts; now that the conditions which surround the provisions of the law for their enforcement have been found impracticable, modify these conditions and carry out the principle of law."

My belief is that any such law, if applied to contracts for the supply of indigo produce, from the very nature of the circumstances which pertain to such cultivation, must be liable to great abuse, which it would not be possible effectually to guard against; and therefore I am strongly opposed to any course of procedure which may indirectly lead to the enunciation of such a principle. When, therefore, a law of contracts is brought into the Legislative Council, I am glad to see clauses guarding against the application of specific performance to contracts for the delivery of indigo. Without this precaution, the clauses on specific performance, which remained in the law of contracts, might be construed to cover contracts also for the delivery of indigo.

I am not aware that such contracts are really extinct. They have doubtless become less common than formerly, as indigo cultivation has been largely reduced in parts of Bengal. In those districts in the neighbourhood of Calcutta, where the dispute between the planter and the ryot arose, and where the strife was most intense, viz., the districts of Kishnaghur, Jessore, Furreedpore, and Baraset, such contracts may have become virtually extinct. But there are large portions of Lower Bengal to which the strife of those days did not, for one cause or other, in such intensity extend, yet where indigo was largely cultivated, and where the justly deprecated contract system equally prevailed, viz., the eastern portion of Bengal, Dacca, Tipperah, and Mymensingh, and the districts bordering on the Ganges, Maldah, Rajshaye, and Moorshedabad. I believe it will be found on inquiry that the contract system which formerly prevailed does still in those parts generally prevail.

Nor am I satisfied that the system of indigo planting which prevails in Tirhoot is free from the taint of inequitable contract. The Tirhoot system has been long in force in Behar, but it has not, I believe, been introduced generally into Bengal. Moreover, the two systems, the Bengal and the Behar, are not practically very dissimilar. In Behar (*i.e.*, in Tirhoot, Chumparun, Sarun, &c.), as in Bengal, the first essential for the planter was to buy the influence of the zemindar. But in the former Province it has been the settled policy of the planter really to conciliate and carry along with him the native landlord, and so to have less difficulty with the ryot; in Bengal, the price once paid to the native landlord, the planter cared not further to conciliate him; and the result frequently was secret hostility towards the planter and secret assistance to the ryot in resisting him.

Add to this a feature favourable to the ryot in Behar, by which, in a season of adversity, the loss was shared by the planter, and not, as in Bengal, borne entirely by the ryot, and the fact that the ryot in Behar was less worried by unscrupulous subordinates of the planter, and the main differences have been stated. In the one system, as in the other, the planter was all powerful—the ryot all in his power. In the one case, as in the other, the ryot was not a free agent, and did not cultivate indigo from choice. The contract under such circumstances, whether it were to deliver produce or to sow a certain quantity of land, was not voluntary, and could not be equitable. In neither case is it easy to conceive that a contract between persons so situated and with interests so opposed can be purely voluntary and equitable, such as to justify a law enforcing specific performance. The remedy for such a state of things is to be found not, I think, in exceptional legislation, but in the simple process on the part of the employer of providing proper remuneration to the employed.

If the planter will pay adequately for the cultivation of indigo, he will get the ryots to grow and deliver it. It is the circumstance that he is unwilling to do so that necessitates his driving the ryot into contracts, which the latter uses all his cunning to evade.

I cannot admit that it can fairly be considered that the retention of the clauses which have been drafted by the Commissioners, and which Mr. Maine proposes now to omit, would be to put an affront on the European community. What we do in this case, we do because it has been proved by experience that such precautions are necessary to guard a particular class from oppression to which they are from circumstances especially exposed.

Nor can I apprehend any danger to artisans or labourers under Section 59 and its "Illustrations." No one, I should say, would think of applying them to such persons. But if there really is any danger of such a misapplication, I would suggest that an additional "Illustration" be added to the section.

J. L.

NOTE by the Honourable Major General Sir *H. M. Durand*, C.B., K.C.S.I.;—
dated 22nd July 1867.

THIS is a question I cannot summarily dispose of with an off-hand opinion. It involves the consideration of some difficult points, and even of a conflict of legal principles.

I should suggest that the Bill be printed without casting out the clauses to which Mr. Maine objects into an Appendix. I would print the Bill without omissions, but the clauses to which Mr. Maine raises exceptions might be printed in a different type, so as to indicate clearly and at a glance, but in connection with what precedes and what follows, the parts of the Bill to which Mr. Maine's Statement of Reasons refers. It would not weaken Mr. Maine's position, for it would, supposing his view be correct, show the contrast between the clauses alleged to be drawn in adverse intention to the indigo planters, and those not exceptional, but based on the general principles to which Mr. Maine gives his support.

Both Mr. Maine's note and that of the Governor General might, with advantage, be circulated in print.

H. M. D.

NOTE by the Honourable Sir *George Yule*, C.B., K.C.S.I.; dated 23rd July 1867.

I THINK Sir H. Durand's proposal preferable to putting the Specific Performance Sections into an appendix; preferable even, it seems to me, from Mr. Maine's point of view in regard to the sections in question; but still, under the peculiar circumstances of the case, I would leave the decision on the procedure to be adopted entirely to Mr. Maine himself. We are not required to express an opinion on any other point at present.

G. U. Y.

NOTE by the Honourable Mr. *Maine*; dated 23rd July 1867.

THESE papers have again come to me, possibly through accident, but I think that a few more words from me may save from some misapprehension those Members of Council who have not yet seen them.

His Excellency the Viceroy appears to me to be under the impression that there is some law of Specific Performance in India which may be used to enforce an indigo contract. There is no such law. The provision in the Code of Civil Procedure that the forms of a regular suit must be gone through before a decree for specific performance or an injunction can be obtained, is an absolute bar to its being employed in indigo matters.

If the Commissioners' sections become law, they will in no respect alter the existing procedure. They will only throw it into a form singularly obnoxious to the European community, through the special exception of indigo contracts from the operation of principles elsewhere recognised.

My contention is that the sections are in their wrong place. A civil code of contract embodies the answer to the question, "What is a contract?" A code of procedure in contract contains the reply to the question, "In what mode shall a contract be enforced?" My opinion is clear as to the code in which the rules of specific performance ought to be set forth.

I have accordingly proposed to postpone the question of specific performance until the proper moment for discussing it arrives; the period, namely, when the Secretary of State gives leave to the Legislature to undertake the revision of the code of civil procedure. I do not wish to discuss either the sections of the Commissioners or those prepared by Sir H. Harington and myself; first, because it is the wrong time for such a discussion; and, next, because, if either one or the other set of rules were carried now, they would assuredly have to be repealed when the code of procedure was revised.

I submit, at the same time, that I have paid all due deference to the authority of the Commissioners. I have printed their sections in an Appendix, and they will have as much publicity, and will be as widely circulated, as the Bill itself. If any Member of the Select Committee or Council thinks fit to move them by way of amendment, they are ready to his hand. This course seems to me infinitely preferable to placing me in the not very creditable position of having to oppose my own Bill.

I frankly admit that I hope the good sense of each and every member of the Legislature will lead him to refrain from moving such an amendment. In the discussion which will come, things will almost infallibly be said which will be offensive to the European community on one side, and to the Law Commissioners on the other. Attention will be diverted from the important parts of the Bill to its least important provisions. A prejudice will be created against what is really a most beneficial measure. And, when all is done, it will come practically to the same thing, whether the sections are carried, or whether they are not carried.

I am sorry that some remarks of mine have given occasion to his Excellency to enter on the question of substance. Whether indigo contracts are or are not extinct, whether they
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ar always fair or always unfair, may be matters on which there is room for legitimate doubt, but which there is not the smallest practical use in discussing now.

Let me add that his Excellency is mistaken in supposing that the Secretary of State has especially approved of these sections. He has merely requested that a "measure founded on the Commissioners' draft" may be submitted to the Legislature. As Lord Cranborne, in replying to a question about my own sections (intended, be it remembered, for a code of procedure), stated in Parliament that the planters had grievances which ought to be remedied, he can scarcely approve of sections which would practically have the effect of excluding the planters from civil remedies.

H. S. M.

NOTE by the Right Honourable Mr. Massey; dated 23rd July 1867.

THE simple question at present is, whether Mr. Maine shall be allowed to print the Bill in the form in which he proposes to introduce it?

I have no hesitation in saying he is entitled to do so, and that the Council could not attempt to subject him to any coercion in the matter.

I give no opinion at present as to the clauses which he proposes to omit. The whole policy of the measure will be discussed before the Bill is debated in the Legislative Council, and if we cannot agree in the Executive Council, Mr. Maine will probably not object to its being an open question.

W. N. M.

NOTE by the Honourable Mr. Maine; dated 25th July 1867.

AFTER reconsidering the subject discussed in Council yesterday, I have to say that I am willing to change the form of the Bill which embodies the "Indian Contract Law." I do this, partly out of deference to the strong feeling which appears to be entertained by his Excellency the Viceroy, partly because I do not wish to deprive the country any longer of the great boon which will be conferred on it by the mere publication of those parts of the Bill which define and describe contracts; and partly because, while I feel strongly the falsity of the position involved in moving the reference to a Select Committee of a Bill of which I in some measure disapprove, yet I think that almost any anomaly, confined to India, is better than that this Government should formally refer to the Secretary of State the question whether the legal member of Council is bound to move the adoption of certain provisions, from which not only does he dissent, but his dissent from which is so notorious that questions respecting his views have been asked in Parliament.

I am willing, therefore, to transfer the specific performance sections from their present position in the Appendix to the end of the Bill, in which they will be included; and I propose, after the discussion of these sections in the Statement of Objects and Reasons, to add some such passage as the following:—

These sections are retained in the Bill out of deference to Her Majesty's Commissioners; but it is the intention of the Member of Council charged with the Bill to move their omission in the Select Committee, or, if necessary, in the Council, principally for the following reasons."

Then will follow the last two paragraphs of the statement in their present form.

But while I state my willingness to take this course, I must again take the liberty of expressing my doubts whether it is expedient, and not only whether it is expedient, but whether it is not especially inexpedient from the point of view of the Viceroy and of those who agree with him.

1. It renders an irritating discussion inevitable. If the omitted sections are replaced in the Bill, it is due, not simply to myself and my opinions, but to the character of Sir H. Harington, that I should attempt to get them out. On the other hand, if they are left in the Appendix, the chances seem to me to be that the good sense of all will prevent their being moved by way of amendment. The consequence will be that, though there may be a little discussion by the Press when the Bill is first published, the whole subject of specific performance will be postponed, as his Excellency would apparently wish, till long after the Viceroy and I have left the country, and will probably be re-discussed amid a totally new set of ideas on the subject of contract produced by the present Bill, and possibly in a totally different set of relations between planter and ryot. Meantime, so long as the code of civil procedure is unrevised, the law does not admit of the specific performance of a contract to cultivate a particular crop, or in a particular manner.

2. The result which I understood the Viceroy to deprecate strongly in Council, namely, that his Excellency himself or somebody who agrees with him, should have to move these sections by way of amendment, is very likely to occur, even though they are placed at first in the body of the Bill. It follows, of course, from what I have said, that I consent to move the reference of the Bill to a Select Committee, although, strictly speaking, such a motion, according to our procedure, implies approval of all important parts of the measure. But in Committee I must move the omission of the sections, and I may possibly succeed.

In that case, the Bill submitted to Council at what may be called the third reading will not be the Bill in its original form, but the Bill as amended by the Select Committee. Consequently, anybody who, contrary to the recommendation of the Select Committee, wishes to replace the omitted sections, will have to move them by way of amendment.

3. I submit that, in insisting on the inclusion of these sections, the Viceroy, or anybody who agrees with him, abandons a strong position for a weak one. The Report of the Indigo Commission is now seven years old, and whether or not his Excellency is right in denying that the old indigo contracts are extinct, there can be no reasonable doubt that they have been widely and considerably modified. Still I freely admit that when anybody attempts to amend the present code of civil procedure, which does not admit of the specific performance of any kind of cultivating contract, the conclusions of the Indigo Report present a formidable and perhaps insuperable obstacle to his success, if the effect of the amendment will be to give an advantage, however slight and incidental, to the planter. But, on the other hand, I submit that there is not sufficient evidence to go upon, if the offensive is taken, and if one places oneself under the obligation of showing that indigo contracts should be excepted *eo nomine* (as is virtually done by the Commissioners) from a class of enforceable contracts to which they would otherwise belong, and to which they would belong even under the narrow English law. Direct, distinct, affirmative evidence, bearing on the state of things now existing, is required in such a case, not inferences from the Indigo Report or suspicions derived from the relative characters of European and Native. I only state the results of my own experience when I say that, so long as the planter is denied the help of the civil law in enforcing his contracts through a general provision of the procedure code, evidently not framed with any special reference to his position, it is all but impossible to make any change which assists him, however incidentally, in the face of the doubts suggested by the Indigo Report. But it becomes a very different matter when the positions are reversed, and when the opponent of the planter proposes a new law of specific performance, and denies the benefit of it to his contracts with the ryot, not on the score of proved want of equity in particular contracts, but on the *à priori* assumption that all such contracts are from the nature of the case unjust.

As I have said, however, rather than make a reference to the Home Government, I will adopt the course which I do not think the best.

H. S. M.

NOTE by His Excellency the Governor General; dated 25th July 1867.

(With remarks by the Honourable Mr. Maine, dated 26th July 1867.)

ON again looking over the printed copy of the amended draft for the Contract Law, I find that *all* the Specific Performance Clauses have been omitted, as stated yesterday by Mr. Maine in Council. One of my objections, therefore, to comply with his wishes, of course falls to the ground. But I am myself still in favour of retaining all these clauses in the proposed Contract Law, as prepared by the Commissioners. The objection advanced by Mr. Maine to their forming part of the substantive law, appears to me to be quite a technical one, which ought not to have much weight with us. And if his authority on such a subject is justly entitled to much consideration, so is that of the Commissioners also.

The real objection of my honourable friend is to the exceptions of the Commissioners to the rules laid down in these clauses. Now it certainly appears to me that the weight of authority is in favour of these exceptions. The Report of the Commission on the question of indigo cultivation in Bengal, in Lord Canning's time, proved, in my mind, most completely, what was long before that period pretty notorious, that contracts for the delivery of indigo produce were not really voluntary ones, but forced on the ryot as a rule by the planters. While I see no objection to Specific Performance Clauses in a Contract Law for India as a general rule, I consider that exceptions, such as the Commissioners have made, are just and reasonable, and such as circumstances demand in India.

If Mr. Maine cannot bring himself to introduce the law in the complete form in which it has been received from England, it becomes a question whether some other Member of Council would not undertake the duty.

J. L.

ON this Note of his Excellency I have to remark that my objections to the Commissioners' sections are threefold. I consider,

1. That the sections are out of place;
2. That they needlessly raise an irritating political question;
3. That both the rules *and* the exceptions are thoroughly unsuited to India.

This last is an objection of substance, which I have kept back, trusting to the first two.

H. S. M.

NOTE by the Honourable Mr. Maine, dated 27th July 1867.

I AM extremely sorry to have to ask the Viceroy and my honourable colleagues to read anything more from me on the subject of the "Indian Contract Law;" but I perceive from a second Note by his Excellency, which has been in circulation, that the discussion next Wednesday will be incomplete, unless I touch on a side of the question before us, which I have hitherto scrupulously avoided—its merits. I have hitherto confined myself to reasons for omitting the Commissioners' sections which are not reasons of substance. These are—

1. That the sections will embark us in an irritating controversy;
2. That they will do so needlessly, since they will effect no practical change in the existing law;
3. That they will do so prematurely, since the revision of the Code of Civil Procedure will furnish a much better occasion for discussing the subject of Specific Performance;
4. That they are out of place.

On my former Notes, however, the Viceroy has made the remark that apparently I do not object to the Commissioners' rules of Specific Performance and Injunction, but only to the exception of indigo contracts. It is thus evident to me that, by trusting to the objections just enumerated, I have placed myself at a disadvantage. The truth is, I object to the rules as much as, or even more than, I do to the exceptions.

The grounds on which I quarrel with the rules are much wider than those on which I quarrel with the exceptions. My opinion is that the greatest evil connected with the civil procedure of India, is one quite apart from indigo contracts. It is the system of *unexecuted decrees* for money or pecuniary damages. Until my own proposals fell into abeyance, I was collecting evidence on the point, and had collected a great deal. It was all one way. It showed that such decrees are rarely, indeed almost never, executed in India against small debtors in the way required by the theory of the law. This is, perhaps, inevitable in a country in which the debtor has so little "visible" moveable property, and in which his land depends so much for its value upon his labour, and, indeed, if it consist in a right of occupancy, cannot be taken in execution. The result is that these decrees are *hoarded*. They are divided, bequeathed, inherited, and sold in open market. Probably there is nothing which more astonishes an English judge fresh from home. Finally, these decrees get into the hands of some neighbour of the debtor, richer than himself, probably the village money-lender. By him they are so used as to become an instrument of monstrous oppression. They are enforced by a little at a time, or bonds, bearing enormous interest, are taken for forbearance, or they are retained as means of exercising power. Meanwhile there is no insolvent law in the *Mofussil* by which the debtor can release himself.

The rules of specific performance and injunction framed by me with Sir H. Harington's assistance would have tended to cure this great evil, which probably affects thousands, where the indigo contracts affect scores. Under these rules, the civil courts would have ordered the defendant to perform his engagements or restrained him from breaking them, instead of waiting till he had committed a breach of contract, and then handing him over to the plaintiff. It appears to me that in this way only can Indian Courts discharge the duty imposed on them by the theory of the law. At present they seem to me to act pretty much after the fashion of certain tribunals which have no very savoury historical reputation. They condemn the defendant, and then turn him over to somebody else to be tortured.

The sections in question proceed on the assumption (which is made by every civilized body of law in the world, except the English), that a wide and liberal law of specific performance is to be preferred to a narrow law. But they are fenced round with restrictions which would effectually prevent their being applied in any case in which the extraordinary civil remedies of specific performance and injunction would cause injustice or hardship, as compared with the ordinary civil remedy of damages.

The draft revised Code of Civil Procedure is put up. The specific performance sections are 24, 25, 133, 134, Sections 314 to 317 (both inclusive), and Section 328. The rules concerning injunctions correspond.

I would further call attention to Section 62 of the Code of Criminal Procedure (also put up). It is, I believe, the provision of the code on which magistrates most rely for good administration and the prevention of crime and disorder, and it embodies a true *criminal* law of specific performance and injunction, now in force in India.

I also take the liberty of appealing to certain remarks of mine made in the Legislative Council when I transferred the charge of my sections to Sir H. Harington. They are contained in the volume of Legislative Proceedings put up. My argument is much weaker than it would be if the present Bill became law, for almost any court will now be able to apply the proper tests of validity and invalidity to contracts.

I fully admit that my sections would have applied to indigo contracts, unless such contracts were excluded by the limitations embodied in the law. I also admit that, but for the planters' agitation, it is very likely that the grave defects in Indian civil procedure to which I have adverted, might have escaped notice; but this is only an illustration of a phenomenon many times seen. The European community has rarely been disinterested in its agitations;

but its grievances have constantly opened its eyes, and ultimately those of the Government to many real and grave defects in our laws and administration.

I assert, however, that if an indigo contract satisfied the conditions of those sections, and if, further, it satisfied the tests of valid contract set forth in the new Bill, and known for centuries to lawyers, on every principle of justice it ought to be enforced by the civil courts.

My own opinion is that, if my sections had become law, they would have revolutionized the relations of planter and ryot. The practice of hoarding money-decrees and holding them over the ryot *in terrorem*, was one of the greatest evils of the indigo system. That would have come to an end. My sections further denied the benefit of their procedure to contracts for more than five years, a provision which would have put an end to those long contracts under which the ryot was almost enslaved, and I would have consented to shorten the duration of the contracts, if necessary. Further, a contract, in order to come under the new law, had to be registered under the Registration Act, so that the personation imputed justly or unjustly to the planters would have been rendered impossible, and the actual assent of the ryot would have been established.

Under such a system it is all but certain that the whole of the existing indigo contracts would have been abandoned, and all contracts would have assumed a new form. And, after all the securities required by my sections had been provided in the initiation of the contract, the planter, if the present Bill became law, would be compelled to satisfy the Court of the inherent equity of his contract before he obtained his remedy—a remedy which, I may observe, would, in the great majority of cases, have been, not a decree for specific performance in the strict sense of the words, but an injunction against meditated breach of contract, since a complicated contract to cultivate in a particular way is not “certain” within the meaning of my sections.

This attempt, not, I venture to think, quite unworthy of the importance and difficulty of the subject, has now miscarried. The Secretary of State has vetoed it, and the Law Commissioners now propose that the planters shall be outlawed so far as the civil law is concerned. The expedients by which a Native enforces a money-decree against a small debtor are, of course, impracticable to a European. The Viceroy anticipates that, in the absence of legal power of constraint, the planters will make fair contracts. If I know anything of human nature, I predict the exactly opposite result. I think they will become careless of the equity of their contracts, and will trust to zemindaree influence, and to other less legal, though not less oppressive, methods to enforce them.

The Viceroy has observed in the same note, that my objection to the misplacement of the sections in a Civil Code is only “technical.” If the observation is made in disparagement, I do not accept it. Scientific faults are of great importance in our codes, which are destined, I am sure, to exercise great influence on English jurisprudence, an influence which the proposed arrangement would be likely to impair.

I do not wish by this note to provoke a paper controversy, but merely to ensure the completeness of our next discussion, and to guard myself against being supposed to make a concession which I never intended to make. Nor do I desire to recall the offer which I made to include the omitted sections in the Bill, provided I may expressly reserve to myself power to oppose them afterwards.

H. S. M.

NOTE by His Excellency the Commander in Chief, dated 27 July 1867.

[With a Remark by Sir H. Durand, dated 29 July 1867.]

It appears to me that the important questions which are involved in the matter of the discussion between his Excellency the Viceroy and the Honourable Mr. Maine should be specified, and votes taken separately on them.

1st. Is it competent for even a majority of the Council to dictate to a Member how he is to frame a Bill, provided that he generally adheres to the spirit of the instructions the Government has received from the Secretary of State?

2nd. The principle of our future discussions having been affirmed by a vote on Question 1, does the course proposed by Mr. Maine sufficiently meet the views of the Secretary of State in a matter of such moment as the framing of a chapter of a code of substantive law; this question being viewed according to the precedents with which the Council is acquainted?

3rd. Is the reasoning of Mr. Maine sufficient for the support of his views, on what has been called the technical ground, though much more than technicality is involved in it, viz., that it is a solecism to include rules of procedure in a code of substantive law?

4th. Is Mr. Maine right or wrong in his proposition that the course proposed by the Viceroy will not alter the law as apparently wished by his Excellency, while it will suggest class-agitation and irritate the indigo planters?

5th. Is it politic to introduce into the Indian Contract Law of 1867 the contested clauses, if Mr. Maine's proposition as contained in Question 4 be correct.

I venture to suggest that it will facilitate our deliberations if the Council come to a distinct understanding on the foregoing points, it being, I believe, impossible for us to extricate ourselves from the dilemma in which we are involved without defining the issues in some such manner as is here proposed.

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It seems to me that the Council has been sufficiently informed for this purpose by the several notes of the Viceroy and Mr. Maine, and the discussion of last Wednesday.

I would beg that this note may be circulated before the next meeting of Council.

W. R. M.

IN a Note circulated before this paper reached me, I have stated what appears to me the main point to be considered and discussed before entering on the question, whether the principle involved should be in contract law or the civil procedure.

H. M. D.

NOTE by the Honourable Major General Sir *H. Durand*, C.B., K.C.S.I.;
dated 29th July 1867.

I do not fully appreciate the technical objection raised by Mr. Maine to the insertion of the sections having reference to specific performance; they seem to follow naturally enough as a branch of performance of contract; and considering that independently of indigo contracts, there are many other kinds of agreements in which specific performance may have to be adjudicated, the Law Commissioners might have exposed themselves to criticism had they passed over this peculiar form of performance of contract without laying down any guiding principles in the Indian Contract Law. We are told that "in some cases where compensation in damages is manifestly insufficient, the Court of Equity, and in some cases, the Common Law Courts also, will compel specific performance, as for example in case of agreements for the formation of a partnership, or for the sale of the good-will of a trade, and of contracts to insure against loss of fire." Having to combine the principles which in England govern the Common Law Courts and Chancery, the Law Commissioners could hardly with propriety avoid touching distinctly on a branch of contract law which had a special bearing on a large and not unimportant class of cases that may and do occur at our centres of commerce. But more especially was this necessary when they had to lay down so vital a principle as that one large class of cases, which might otherwise be comprised by the general principles affecting specific performance, were to be excluded from this remedy. As a principle, it touches to the quick the interests of the ryots employed in the cultivation of indigo, opium, cotton, sugar, &c.; and at the same time it nervously affects the interests of capitalists, European or Native, who trade with the agricultural community for these valuable products, in a way more or less serious, according to the nature of agreements which it is the custom to make in particular districts. From this point of view, I can hardly conceive a more momentous legal principle than the exclusion of agreements to cultivate land in a particular manner, or to grow particular crops, and it is one that, if deliberately adopted, merited a distinct section for its prominent and formal enunciation. It is scarcely done credit by insertion as an explanation to section 52.

The main point at issue really is, whether the Government of India is prepared deliberately to accept the exclusion of this class of engagements from the judicial remedy of decrees for specific performance or of injunction against meditated breach of contract. This lies at the root of the difference of opinion between his Excellency the Governor General and the Honourable Mr. Maine; and whether the contract law code or the revised civil procedure code be the proper place for the sections on specific performance, seems a point of minor moment easily enough disposed of when once the main question at issue is faced and decided. It is a question which should be first formally considered and discussed before embodying a vital principle in either code.

H. M. D.

NOTE by the Honourable *H. S. Maine*; dated 14th August 1867.

HIS Excellency the Governor General, while expressing himself sensible of my offer to defer to his views by including the omitted sections in the Bill, subject to a right reserved on my part to move their omission at a later stage, has intimated in Council that he does not consider such a course would be expedient. It has therefore been decided that the discussion on the sections shall be communicated to the Secretary of State.

The misfortune of differing from the Indian Law Commissioners on a point of law and from the Governor General on a point of policy, does not often happen to me. But as my opinion is strong, and as my position, owing to passages in the past history of the question, is somewhat peculiar, I have thought it right to maintain my position.

The question as to the proper place of the sections is, I may observe, raised in a singularly distinct form. The case is not like that of those rules of procedure which were sent to us by the Commissioners with their chapter on succession. At that time there was not in India any procedure to regulate probate and administration, and consequently, if the new

rules of succession were to be worked at all, it was necessary to supply a new procedure. But now we have a law of specific performance in India and of injunction against breach of contract, and this law is contained in the existing code of civil procedure. The point is therefore distinctly raised whether this law shall or shall not be removed from the code of civil procedure, and transferred to the code of substantive civil law.

I do not for a moment deny that something is to be said for including specific performance and cognate topics in the province of procedure. I have admitted in the statement of objects and reasons appended to my Bill (which I beg may be considered as incorporated with these notes) that there is between law and procedure a debateable land. Nor do I doubt that many more reasons for the course taken in the Commissioners' draft have suggested themselves to the Commissioners than have occurred to me. At the same time, I hesitate to place among the reasons which have determined the Commissioners, those which appear to be urged in the last note of Sir H. Durand, which, by some accident, I have only just seen. If I rightly understand my honourable and gallant colleague, his argument is, that the Commissioners were justified in including specific performance and injunction in their draft because those subjects have great importance in connection with contract. The fact is undeniable; and unquestionably this very impression, that whatever is incidentally important in connection with a particular branch of law may legitimately be dealt with as part of it, is one which is shared by large numbers of English writers on law. These writers almost systematically confound the boundaries between law and procedure, and hence it is that the most comprehensive treatise on the English common law is nominally a work on "*Nisi Prius*," that books on the "principles of equity" run off into discussions on the practice of the Court of Chancery, and that exhaustive discussions of those principles are found in treatises on "*Equity Pleading*" and on "*Decrees*." But nobody who has bestowed much thought on the matter can doubt that the impression I have referred to, is, in fact, the great cause of the confused arrangement of all English law-books, and, if not most carefully guarded against, it will introduce confusion wholesale into our codes.

If there were no question at issue except that of arrangement, it would be easy to give practical effect to the Commissioners' conclusions. When the various Acts which will have been founded on their drafts are finally combined in a code consisting of numbered chapters, there will have to be a revision of the provisions of those Acts with a view to the severance of law from procedure; and my own impression is, that not a few rules and sets of rules, besides those under discussion, will have to be removed to the procedure code. It would have been possible therefore to include the sections before us in the code, subject to an express understanding that the question of place should be re-considered at the final revision. Or again, since the Secretary of State, in postponing the revision of the procedure code, has permitted that urgent amendments of it be embodied in separate measures, the sections before us might have been submitted to the legislature in a separate Bill, as an avowed anticipation of a revised code of civil procedure.

But, unfortunately, I differ further from the Commissioners in the question of substance, whether their sections constitute a good and fitting law for India on the subjects to which they refer. The grounds of my opinion, which are set forth fully in the preceding note, need not be repeated.

My difference from the Governor General is on a point of immediate policy. His Excellency, as far at least as regards the exceptions to the Commissioners' rules, has frankly accepted the view which nine men out of every ten in India would take—that these exceptions are directed against indigo contracts as a class. I do not myself doubt that the general opinion would go even beyond this, and would hold that the rules were framed with the same object as the exceptions, and were, in truth, narrowed and pared down in order to suit their measure. His Excellency is not afraid of such a construction, and would attach a special value to the exceptions, if not to rules, as a permanent protest against the indigo system, seconded by the authority of the Law Commissioners. I will not repeat the reasons I have before urged against the expediency of such a protest, but I may be permitted to express my doubts of its permanence. The present code of civil procedure is commonly cited as Act VIII. of 1859, that is, it was passed eight years ago. But that code, also founded on a draft of the Commissioners, contains a law of specific performance and injunction quite different in principle from that now proposed. What ground is there for supposing that the new law would last longer than the old? The very attacks to which it would from the first be exposed, surely promise it a much smaller longevity.

It is desirable that I should repeat my conviction that no direction to submit these sections to the legislature has been given by the Secretary of State. Theoretically, I admit that such a direction might be given, but it would be a strong measure to dictate the detail of a Bill, and an extreme measure to impose it, in effect, on a member of Council committed to a different mode of legislation. I have seen during my term of office, many requests from the Secretary of State for legislation in a particular sense, but these have always been couched in the most general language. I remember that the direction to submit to the legislature a most important measure, the abolition of the grand jury, was conveyed in a few lines.

I will only add my hope, that nothing I have written may be interpreted as implying that I do not think that the indigo system should be carefully watched. Indeed, one of my principal reasons for objecting to the Commissioners' proposal is, that its tendency is to leave that system entirely to itself.

H. S. M.

NOTE by His Excellency the Governor General; dated 16th August 1867.

I HAVE no wish to add to the notes which have already passed on this subject.

It has been fully discussed in Council, and it seems to me that the feeling of my colleagues is, that the present is not an opportune occasion for discussing the question of indigo contracts.

I have therefore consented to the course originally proposed by the Honourable Mr. Maine, viz., that the clauses as to specific performance proposed by the Law Commissioners, and by which the question as to indigo contracts would have been raised, should be omitted from the Bill.

I think it right, however, before the discussion finally closes, to disclaim all attempt to desire to dictate to my honourable colleague, Mr. Maine, any course to which he is conscientiously opposed. Nothing has ever been further from my intention than to do so.

But I considered it right to bring the question before the Council, because I think the indigo system in Bengal calls for examination, and, if necessary, for interference, and I thought that the Bill, as drafted by the Commissioners, distinctly directed attention to it.

Without discussing the legal points raised by the Honourable Mr. Maine, I still think that the opinion of the Law Commissioners is also entitled to deference, and justified me in wishing to use the opportunity thus afforded.

Moreover, beyond doubt, indigo cultivation is founded on a peculiar system of contracts, the discussion of which seemed to me naturally to be raised by the preparation of a new general law of contract.

However, as I have already said, I think it due to the feeling expressed by my colleagues, to defer to their wishes, and to await another opportunity of considering this question, and I do this the rather that I believe that it is likely to be more satisfactorily examined, if its merits are not complicated with any accidental circumstances, such as those which have arisen on the present occasion.

At the same time, I think it my duty to say that I fear that the day is not far distant when we shall be compelled to examine the entire indigo system, and I feel assured that the difficulties attending such examination will not grow less, but rather greater, by delay.

J. L.

— No. 5. —

Indian Law Commissioners to the Assistant Under Secretary of State for India.

Sir, 20, Abingdon-street, 18 December 1867.

IN reply to your letter of the 28th ultimo, transmitting, by direction of Sir Stafford Northcote, for the purpose of being placed before Her Majesty's Commissioners appointed to prepare a body of substantive law for India, a copy of a Despatch from the Government of India, with a draft Bill on the subject of contract, and other papers, and stating that Sir S. Northcote would be glad to receive any observations which the Commissioners might desire to make on the subject, I am directed by the Commissioners to transmit to you their 4th Report, in which are contained their observations on the subject referred to them.

J. C. Melvill, Esq.,
India Office.

(signed) W. Macpherson.

FOURTH REPORT.

TO THE QUEEN'S MOST EXCELLENT MAJESTY.

WE, Your Majesty's Commissioners, appointed for the purpose of preparing for India a body of substantive law, and of considering and reporting on such other matters in relation to the reform of the laws of India as might be referred to us by Your Majesty's Secretary of State for India, have received from Your Majesty's Secretary of State for India a communication dated the 28th November last, referring to us a Despatch from the Government of India, with a copy of a draft Bill, on the subject of contracts, identical with the measure prepared by us, and submitted in our Second Report, except that Sections 51 to 59, relating to the specific performance of contracts, are omitted; and also, as setting forth the

grounds on which this omission is founded, the statement of "Objects and Reasons," and the "Notes" recorded by the Governor General and the members of his Council on the subject.

We find that in the papers referred to us two questions are discussed with respect to the omitted sections :

First, whether the subject of them, namely, the enforcement of the specific performance of contracts, properly belongs to Substantive Law or to the Law of Procedure.

Secondly, whether the law proposed in those sections is fit to be enacted.

Upon the first question, we entertain no doubt that the proper place for the clauses relating to the specific performance of contracts is in the Code of Substantive Law and not in the Code of Procedure.

To enforce the specific performance of some contracts is impossible ; of others, is inexpedient. It is the province of the Code of Substantive Law to define the rights and liabilities of parties arising out of their contracts, and in so doing to specify what contracts may and what shall not be specifically enforced. This is no part of procedure. The proper province of procedure is to point out the mode by which effect is to be given to rights already defined, and not itself to define those rights.

In like manner the Penal Code, which is Substantive Law, defines and classifies offences and assigns the appropriate punishments, but leaves the rest to the Code of Criminal Procedure.

The defining and classifying the contracts to which the enforcement of specific performance is an incident, is a branch of Substantive Law, exactly as the defining and classifying of offences to which capital punishment applies is also a branch of it.

Accordingly the New York Code puts specific performance in the Code of Substantive Law and not in the Code of Procedure. So also in Mr. Austin's work, and in Mr. Justice Story's Treatise on Jurisprudence, specific performance is treated as a part of Substantive Law, not of Procedure.

To proceed to the second question. We see no reason to think that the omitted sections are either wrong in principle or inexpedient, or that there is anything in them which ought to be struck out or to be altered.

What is alleged against them as a fault is in effect that under them specific performance cannot, in cases of contracts for cultivation, be enforced by the imprisonment of the contracting cultivator.

In framing our rules we considered, first, the principle of the English law, and then how far it was applicable to India, and how far, if at all, it ought to be modified.

The general principle of the English law of specific performance is that the Court decrees specific performance where there is a single simple act to be done by the defendant, and the Court can at the same time give him that which he contracted for ; or where there is some act about to be done by the defendant which he has contracted not to do, and which he may be ordered to abstain from doing. In the exercise of this jurisdiction the Courts in England have refused to deal with any matter which required a succession of acts or the exercise of skill, or the application of personal labour.

The Commissioners adopted this principle, and endeavoured by the rules they framed to make it free from the ambiguity with which, in some particular cases usually treated as exceptions, the English Court of Chancery has encumbered it.

Experience has taught the English courts to be very cautious in the exercise of this extraordinary jurisdiction, and we see nothing in the circumstances of India to make it expedient that the courts of that country should be entrusted with powers larger than those exercised by our own judges, and not given, so far as we are informed, to the courts of other countries. To this opinion we have given effect in framing the omitted sections. The rules of law which they embody are founded on principles of jurisprudence which we believe to be of universal application, and which, in our judgment, will be found the most equitable and beneficial for all classes of the inhabitants of India, and they are recommended by us for that reason alone.

We

We humbly submit this our Fourth Report to Your Majesty's Royal consideration.

Romilly. (L.S.)

Edward Ryan. (L.S.)

Robert Lowe. (L.S.)

Robert Lush. (L.S.)

John M. Macleod. (L.S.)

W. M. James. (L.S.)

Dated this 18th day of December 1867.

— No. 6. —

(No. 8, of 1868.)

India Office, London,

8 February 1868.

Legislative Department.

Sir,

THE Despatch of your Excellency in Council, dated 16th August (4) 1867, forwarding a draft of the Indian Contract Law which it is proposed to enact, together with minutes by your Excellency, the honourable Mr. Maine, and other members of your Council, has been considered by me in Council.

2. I now forward, for the consideration of your Excellency in Council, copy of a letter transmitting the Fourth Report of the Indian Law Commission, which contains the observations of Her Majesty's Commissioners on the Despatch under reply, and on the draft Act.

I have, &c.

(signed) *Stafford H. Northcote.*

To his Excellency

The Right Hon. the Governor General of India
in Council.

COPIES of PAPERS showing the present Position of the Question of a CONTRACT LAW for India and, of all REPORTS of the INDIAN LAW COMMISSIONERS on the Subject of CONTRACTS.

(*Mr. Kinnaird.*)

Ordered, by The House of Commons, to be Printed,
30 April 1868.

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